Liberty Insurance Corporation

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

SGV

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Liberty Insurance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Liberty Insurance Corporation, which comprise the statements of financial position as at December 31, 2013 and 2012, and the 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Liberty Insurance Corporation as at December 31, 2013 and 2012, 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 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Liberty Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-081-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225205, January 2, 2014, Makati City

March 26, 2014

LIBERTY INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Cash and Cash Equivalents (Notes 4 and 23)	**₱48,493,279**	₱24,422,354	₱12,513,402
Insurance Receivables - net (Notes 5 and 23)	**74,809,295**	84,736,561	91,840,969
Assets Held-For-Sale (Notes 6 and 10)	**37,519,200**	–	–
Financial Assets (Notes 7 and 23)			
Held-to-maturity investments	**68,141,534**	53,359,182	45,518,316
Available-for-sale financial assets	**37,956,031**	26,700,576	20,761,091
Loans and receivables	**7,808,069**	8,371,523	10,269,787
Reinsurance Assets (Notes 8 and 13)	**46,092,681**	80,875,123	45,622,149
Deferred Acquisition Costs (Note 9)	**17,260,397**	13,714,604	11,473,226
Investment Properties (Note 10)	**133,401,788**	76,501,788	76,501,788
Property and Equipment - net (Note 11)	**7,995,674**	7,189,271	6,990,245
Deferred tax assets - net (Note 22)	**349,979**	–	369,423
Other Assets (Note 12)	**7,559,640**	9,376,878	4,751,922
	₱487,387,567	₱385,247,860	₱326,612,318
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities (Notes 13 and 23)	**₱128,500,800**	₱140,411,263	₱91,766,688
Insurance payables (Notes 14 and 23)	**8,053,631**	7,012,107	6,981,962
Accounts payable and other liabilities (Notes 15 and 23)	**22,458,130**	12,490,880	7,197,182
Deferred reinsurance commissions (Note 9)	**4,745,806**	5,964,062	5,504,202
Net pension liability (Note 21)	**1,583,442**	2,140,858	4,286,603
Deferred tax liabilities - net (Note 22)	**–**	88,450	–
	165,341,809	168,107,620	115,736,637
Equity			
Capital stock (Note 16)	**270,955,000**	175,000,000	150,800,000
Additional paid-in capital	**2,239**	2,239	2,239
Deposits for future stock subscriptions (Note 16)	**–**	–	14,200,000
Other reserves	**(8,633,112)**	(4,396,292)	(5,177,732)
Retained earnings	**59,721,631**	46,534,293	51,051,174
	322,045,758	217,140,240	210,875,681
	₱487,387,567	₱385,247,860	₱326,612,318

See accompanying Notes to Financial Statements.

LIBERTY INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
Gross earned premiums on insurance contracts	**₱143,902,191**	₱122,406,808
Reinsurers' share of gross earned premiums on insurance contracts	**65,945,079**	59,578,714
Net insurance earned premiums (Notes 13 and 17)	**77,957,112**	62,828,094
Other underwriting income (Note 18)	**32,740,333**	23,984,309
Commission income (Note 9)	**13,348,035**	12,436,594
Investment and other income (Note 18)	**7,394,277**	5,942,405
Other revenue	**53,482,645**	42,363,308
Total Revenue	**131,439,757**	105,191,402
Gross insurance contract benefits and claims paid	**75,027,649**	51,965,364
Reinsurers' share of gross insurance contract benefits and claims paid	**(52,815,526)**	(33,373,427)
Gross change in insurance contract liabilities	**(22,130,930)**	38,233,578
Reinsurers' share of gross change in insurance contract liabilities	**29,286,805**	(32,148,064)
Net insurance benefits and claims (Notes 13, 19 and 23)	**29,367,998**	24,677,451
Commission expense (Note 9)	**34,122,742**	27,271,178
Operating expenses (Notes 20 and 21)	**47,728,248**	45,923,726
Impairment losses (Notes 6 and 7)	**2,746,863**	781,276
Interest expense (Note 21)	**108,113**	240,907
Others	**322,058**	283,900
Other expenses	**85,028,024**	74,500,987
Total Benefits, Claims and Other Expenses	**114,396,022**	99,178,438
Income before income tax	**17,043,735**	6,012,964
Current	**3,793,867**	200,644
Final	**609,601**	533,315
Deferred	**(547,071)**	(204,114)
Provision for income tax (Note 22)	**3,856,397**	529,845
NET INCOME (Note 25)	**13,187,338**	5,483,119
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss		
Actuarial gain (loss) on defined benefit plan (Note 21)	**(1,727,605)**	2,206,622
Income tax relating to actuarial (loss) gain	**518,281**	(661,987)
Item that will be reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets (Note 7)	**(3,076,303)**	186,749
Realized gain transferred to profit or loss (Note 7)	**(1,617,256)**	(1,731,220)
Impairment losses (Note 7)	**1,666,063**	781,276
	(4,236,820)	781,440
TOTAL COMPREHENSIVE INCOME	**₱8,950,518**	₱6,264,559

See accompanying Notes to Financial Statements.

LIBERTY INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital	Deposits for Future Stock Subscriptions (Note 16)	Other Reserves: Revaluation Reserve on Available-for-sale Financial Assets (Note 7)	Other Reserves: Actuarial Gain on Defined Benefit Plan – Net of Tax (Note 21)	Retained Earnings	Total
As of January 1, 2013							
As previously reported	**₱175,000,000**	**₱2,239**	**₱–**	**(₱4,138,086)**	**₱–**	**₱46,315,474**	**₱217,179,627**
Prior period adjustments (Note 2)	**–**	**–**	**–**	**–**	**(258,206)**	**218,819**	**(39,387)**
As restated	**175,000,000**	**2,239**		**(4,138,086)**	**(258,206)**	**46,534,293**	**217,140,240**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**13,187,338**	**13,187,338**
Net change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**(1,410,240)**	**–**	**–**	**(1,410,240)**
Realized gain transferred to profit or loss	**–**	**–**	**–**	**(1,617,256)**	**–**	**–**	**(1,617,256)**
Actuarial gain on defined benefit plan, net of tax	**–**	**–**	**–**	**–**	**(1,209,324)**	**–**	**(1,209,324)**
Total comprehensive income	**–**	**–**	**–**	**(3,027,496)**	**(1,209,324)**	**13,187,338**	**8,950,518**
Issuance of capital stock (Note 16)	**95,955,000**	**–**	**–**	**–**	**–**	**–**	**95,955,000**
As of December 31, 2013	**₱270,955,000**	**₱2,239**	**₱–**	**(₱7,165,582)**	**(₱1,467,530)**	**₱59,721,631**	**₱322,045,758**
As of January 1, 2012							
As previously reported	₱150,800,000	₱2,239	₱14,200,000	(₱3,374,891)	₱–	₱50,797,083	₱212,424,431
Prior period adjustments (Note 2)	–	–	–	–	(1,802,841)	254,091	(1,548,750)
As restated	150,800,000	2,239	14,200,000	(3,374,891)	(1,802,841)	51,051,174	210,875,681
Net income for the year	–	–	–	–	–	5,483,119	5,483,119
Net change in fair value of available-for-sale financial assets	–	–	–	968,025	–	–	968,025
Realized gain transferred to profit or loss	–	–	–	(1,731,220)	–	–	(1,731,220)
Actuarial gain on defined benefit plan, net of tax	–	–	–	–	1,544,635	–	1,544,635
Total comprehensive income	–	–	–	(763,195)	1,544,635	5,483,119	6,264,559
Issuance of capital stock (Note 16)	24,200,000	–	(14,200,000)	–	–	(10,000,000)	–
As of December 31, 2012	₱175,000,000	₱2,239	₱–	(₱4,138,086)	(₱258,206)	₱46,534,293	₱217,140,240

See accompanying Notes to Financial Statements.

LIBERTY INSURANCE COPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱17,043,735**	₱6,012,964
Adjustments for:		
Depreciation and amortization (Note 11)	**2,092,539**	2,444,348
Impairment loss (Notes 6 and 7)	**2,746,863**	781,276
Interest expense (Note 21)	**108,113**	240,907
Gain on sale of available-for-sale financial assets (Note 18)	**(1,617,256)**	(1,731,220)
Dividend income (Note 18)	**(947,887)**	(429,504)
Interest income (Note 18)	**(4,829,134)**	(3,781,681)
Operating income before working capital changes	**14,596,973**	3,537,090
Decrease (increase) in:		
Insurance receivables	**9,927,266**	7,104,408
Reinsurance assets	**34,782,442**	(35,252,974)
Loans and receivables	**593,551**	2,448,856
Deferred acquisition costs	**(3,545,793)**	(2,241,378)
Other assets	**1,817,238**	(4,624,956)
Increase (decrease) in:		
Insurance contract liabilities	**(11,910,463)**	48,644,575
Insurance payables	**1,041,524**	30,145
Accounts payable and other liabilities	**9,967,250**	5,293,698
Net pension liability	**(2,393,134)**	(180,030)
Deferred reinsurance commissions	**(1,218,256)**	459,860
Net cash generated from operations	**53,658,598**	25,219,294
Income tax paid	**(3,776,545)**	(733,959)
Net cash provided by operating activities	**49,882,053**	24,485,335
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**4,799,037**	3,231,089
Dividends received	**947,887**	429,504
Acquisitions of:		
Held-to-maturity investments (Note 7)	**(27,931,772)**	(24,351,000)
Available-for-sale financial assets (Note 7)	**(57,897,053)**	(61,983,568)
Property and equipment (Note 11)	**(3,396,428)**	(2,701,157)
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 7)	**13,149,420**	16,510,134
Available-for-sale financial assets (Note 7)	**43,565,295**	56,230,832
Property and equipment (Note 11)	**497,486**	57,783
Net cash used in investing activities	**(26,266,128)**	(12,576,383)

(Forward)

	Years Ended December 31	
	2013	2012
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from issuance of shares (Note 16)	**₱455,000**	₱–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,070,925**	11,908,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**24,422,354**	12,513,402
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱48,493,279**	₱24,422,354

See accompanying Notes to Financial Statements.

LIBERTY INSURANCE COPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Liberty Insurance Corporation (the Company) was incorporated in the Philippines on December 11, 1953. In November 10, 2003, the Company renewed its registration with SEC to extend its corporate life for another 50 years.

The Company is a member of Jose Cojuangco and Sons Group of Companies.

The Company is engaged in the business of nonlife insurance which includes fire, motor car, marine insurance, personal accident insurance and miscellaneous casualty that are permitted to be sold by a nonlife insurance company in the Philippines.

The registered office address of the Company is 3rd Floor, Jose Cojuangco and Sons Building, 119 Dela Rosa corner Carlos Palanca Streets, Legaspi Village, Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on March 26, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The financial statements are measured in Philippine Peso (₱), which is also the Company's functional and presentation currency. All values are rounded off to the nearest peso unit, unless otherwise indicated.

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

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in preparation of the Company's financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations, which became effective beginning January 1, 2013.

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans* (Amendments)
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39 and PAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for those loans. These amendments did not have an impact to the Company's financial statements since it is not a first-time adopter of PFRS.

Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are offset in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are offset in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied. The amendment did not have an impact on the Company's financial position or performance since the Company has not entered into this type of transaction. The related PFRS 7 disclosures of the Company's financial assets and liabilities are included in Note 23.

PFRS 10, *Consolidated Financial Statements*
It replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. The standard does not apply to the Company since the Company does not have investments in subsidiaries or associates.

PFRS 11, *Joint Arrangements*
It replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard does not apply to the Company since the Company has not entered into any joint arrangements.

PFRS 12, *Disclosure of Involvement with Other Entities*
It includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of this standard did not have an impact on the Company's financial position and performance since the Company does not have interest in other entities.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Company has assessed that the application of PFRS 13 has no impact on the Company's financial position and performance since it is already consistent with PFRS 13. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 23.

Amendments to PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments affected the presentation of the actuarial gains and losses on defined benefit plan which was presented as part of items that will be not be reclassified to profit or loss, whereas, changes in fair value of AFS financial assets will be presented as part of items that will be reclassified to profit or loss.

PAS 19, *Employee Benefits* (Revised)
On 1 January 2013, the Company adopted the Revised PAS 19 *Employee Benefits.*

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	As at 31 December 2012	As at 1 January 2012
Statements of Financial Position		
Net pension liability	₱56,266	₱2,212,500
Other comprehensive income	(258,206)	(1,802,841)
Retained earnings	218,819	254,091

	2012
Increase in:	
Statements of Comprehensive Income	
Profit or loss	
Pension expense	(₱50,388)
Income tax benefit	15,116
Net income	(35,272)
Other comprehensive income	
Actuarial gain on defined benefit pension plan	2,206,622
Income tax relating to actuarial gain	(661,987)

The adoption of the amendments did not have significant impact on the Company's statements of cash flows.

PAS 27 (Revised), *Separate Financial Statements (Revised)*
As a consequence of the new PFRS 10 and PFRS 12 what remains of PAS 27 is limited to the accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have an impact on the financial statements of the Company since the Company has no interests in other entities.

PAS 28 (Revised), *Investments in Associates and Joint Ventures*
As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 did not have an impact on the Company's financial statements since the Company has no investment in associates and joint ventures.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation

did not have an impact on the Company's financial position or performance since the Company is not involved in mining activities.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
The amendment clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendment did not have an impact on the Company's financial statements since the comparative information disclosures are already in accordance with the requirements of PAS 1.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise. The adoption of the standard did not have an impact on the Company's financial position or performance since the Company has no servicing equipment.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment did not have an impact on the Company's financial statements since there has been no distribution of equity instruments to shareholders. The Company shall consider this amendment for future distributions to holder of equity instruments.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment does not apply to the

Company since it is not required to issue interim financial reports nor disclose segment information.

Future Changes in Accounting Policies
The Company will adopt the following new and amended standards and interpretations enumerated below when these become effective.

Effective in 2014
PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments will not have any impact on the Company's financial position or performance since it does not offset its financial instruments.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will not have an impact on the Company's financial statements since it has no impaired non-financial assets.

Investment Entities *(Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment will not have an impact on the Company's financial statements since the Company does not have investee companies.

Philippine Interpretation IFRIC 21, *Levies*
This interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements since the Company does not enter into transactions involving levies.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments will not have any impact on the Company's financial position or performance since the Company does not enter into hedging transactions.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The adoption of this standard will not have significant impact on its financial position since employees and third parties do not contribute to the Company's retirement plan.

No mandatory effective date
PFRS 9 is effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Interpretation with Deferred Effectivity Date
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 which should be applied retroactively and prospectively. 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, *Construction Contracts*, 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. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company since the Company does not engage in the construction of real estate.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. 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 PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

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 require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Company's financial position or performance since it has no operating segments.

PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment will not have an impact on the Company's financial statements since the Company's policy is already consistent with the amendment.

PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Company's financial position or performance since its equipment is carried at cost.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Company's financial position or performance since the Company's accounting policy is already consistent with the amendments.

PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Company's financial position or performance since it has no intangible assets.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment is not applicable to the Company since it has not entered into any joint arrangements.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance since it does not offset financial assets and liabilities.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Company shall consider this amendment for future acquisitions of investment property or business combination.

<u>Foreign Currency Transactions and Translations</u>
The functional and presentation currency of the Company is the Philippine Peso (₱). 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 reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash in banks earns interest at prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

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 profit or loss.

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. 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: AFS financial assets, held-to-maturity (HTM) investments and loans and receivables. The Company classifies its financial liabilities into 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 reporting date.

Fair Value
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.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair values 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 in the market, either directly or indirectly
Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial assets
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.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in 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' profit or loss) in profit or loss 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 profit or loss 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' profit or loss amount.

Loans and receivables
Loans and receivables are 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", "Insurance receivables" and "Loans and receivables".

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

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities which the Company's management has a 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 financial assets. 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 integral part of the effective interest rate. Gains and losses are recognized in profit or loss 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 profit or loss.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated at 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 earnings. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss 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 AFS financial assets' in OCI. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as realized gains or losses in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

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 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 profit or loss.

This accounting policy applies primarily to the Company's "Insurance contract liabilities", "Insurance payables" and "Accounts payable and other liabilities" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

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

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. 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.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists 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 an 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. 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Time value is generally not considered when the effect of discounting is not material. 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.

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 carried at fair value
For equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. 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 profit or loss) is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized in OCI.

AFS investments carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying

amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Liabilities

Financial asset

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

- the right to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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 the consideration that the Company could be required to repay.

Financial liability

A financial liability is 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 profit or loss.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurers. The impairment loss is recorded in profit or loss.

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 for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss 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 are extinguished or expired or when the contract is transferred to another party.

Deferred Acquisition Costs (DAC)
Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged against income using the 24th method except for marine cargo where the DAC pertains to the commissions for the last two months of the year. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred acquisition costs". Reinsurance commissions are deferred and shown in the liabilities section of the statement of financial position as "Deferred reinsurance commissions", subject to the same amortization method as the related acquisition costs.

Asset Held-for-Sale
An asset classified as held-for-sale is measured at the lower of its carrying amount and fair value less costs to sell. Noncurrent asset is classified as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification. Asset held-for-sale shall cease to be classified as held-for-sale when those mentioned conditions are no longer met.

Amounts presented as assets held-for-sale in the statement of financial position for prior periods shall not be reclassified to reflect classification in the statement of financial position for the latest period when the classification as held for sale ceases.

The resulting profit or loss after tax is reported separately in profit or loss.

Investment Properties
Properties held for long term rental yields or for capital appreciation, or for both, are classified as investment properties. These properties are initially measured at cost, which includes transaction costs, but excludes day to day servicing costs. Subsequently, at each reporting date, such properties are carried at cost less impairment losses, if any. The Company's investment properties pertain to various land.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Investment property is derecognized when it has been disposed of, or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the profit or loss in the year of derecognition.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization and any allowance for impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the properties, or the term of the lease, whichever is shorter, for leasehold improvements, as follows:

	Years
Leasehold improvements	10
Transportation equipment	5
Computer equipment	5
Office furniture, fixtures and equipment	5

The assets' residual values, useful lives and depreciation and amortization method are reviewed periodically to ensure that the method, residual value and period 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 to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit'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. Where the carrying amount of an asset 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. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Product Classification

Insurance contracts

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts 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 policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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 has expired.

Insurance contract liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

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. The change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognised 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 provision and incurred but not reported (IBNR) losses

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, 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 and includes provision for claims reported and claims IBNR.

The provision for claims liability is based on the independent adjusters' report on the individual claims and the provision for claims IBNR is calculated based on time experience. No provision for equalization or catastrophic reserves is recognized. The liabilities are 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. 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 profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

Equity
Capital stock
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC).

Deposits for future stock subscription
Deposits for future stock subscriptions (DFSS) represent the amounts paid by the stockholders for future stock issuances of the Company. DFSS is measured at par value. DFSS is transferred to the respective capital stock account upon approval of the Securities and Exchange Commissions (SEC) of the Company's application for increase in its authorized capital stock.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Company, net of any dividend distribution.

Pension Cost
The Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement cost comprises the following:

(a) Service costs
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurements of net defined benefit liability or asset

Service costs include current service cost, past service cost and gains or losses on nonroutine settlements and are recognized as expense in profit or loss. Past service cost is recognized when a plan amendment or curtailment occurs. These costs 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 OCI under "Actuarial gain on defined benefit plan" in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. 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.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of: (a) the date when the entity can no longer withdraw the offer of those benefits; and (b) the date when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefit, or other long-term employee benefit.

Employee leave entitlement
Employee entitlements to annual leave are recognized as liabilities when these are accrued to the employees. The undiscounted liabilities for leaves expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

Premiums
Premiums from short-duration insurance contracts 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 for the last two months of the year. The gross premiums written for marine cargo insurance policies for the first ten months of the year and the last two months of the preceding year are recognized as premium income in the current year. The portion of the premiums written that relate to the unexpired periods of the policies at reporting date and the last two months of marine cargo policies is accounted for as provision for unearned premiums and is presented under "Insurance contract liabilities" in the liabilities section of the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown under "Reinsurance assets" in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are charged against or credited to income for the year.

Commission income
Commissions earned 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 the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired periods of the policies at each reporting dates are 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 profit or loss 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.

Other underwriting income
Other underwriting income from other sources is recognized when earned.

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

<u>Costs and Expenses</u>
Direct operating expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Direct operating expenses and other expenses are recognized in the profit or loss in the period these are incurred.

Benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders, which include changes in the valuation of insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Commission expense
Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the statement of financial position.

Operating and other expenses
Operating and other expenses are recognized in the statement of comprehensive income in the period these are incurred.

<u>Leases</u>
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.

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Provisions

Provisions are recognized 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. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. 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 assessments 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 but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Tax

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or OCI. Tax on these items is recognized in OCI.

Current tax

Current tax assets and liabilities for the current and prior periods 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 have been enacted or substantially enacted as at the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rate that is applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as 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 operations for the period.

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively in the statement of financial position.

Events After the Reporting Period
Any post year-end events that provide additional information about the Company's position at the reporting date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

3. Significant Accounting Judgments and Estimates

Below are the estimates and judgments used in preparing the Company's financial statements. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the year. These estimates are based on management's best knowledge based on historical experiences for future expectations and judgment of information and financial data as at the date the financial statements are approved. Although these estimates are believed to be reasonable under the circumstances, the actual outcome may differ from these estimates, possibly significantly, in future periods when subject to changes.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Operating leases

The Company has entered into property leases for its operations. The Company has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are being leased on operating leases.

Financial assets not quoted in an active market

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

Claims liabilities arising from insurance contracts

For nonlife insurance contracts, 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 the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim 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. Nonlife insurance claims provisions 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 claims 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 total provision for outstanding claims and IBNR amounted to ₱58.06 million and ₱80.19 million as of December 31, 2013 and 2012, respectively (see Note 13).

Estimating fair value less costs to sell of asset held-for-sale

Asset held-for-sale is valued at the lower of its carrying amount and fair value less costs to sell. The Company estimates the fair value with reference to the valuation made by independent real estate valuation experts using recognized valuation techniques. The Company also considers recent transactions with properties having similar characteristics and location to those of the assets in determining fair value. In estimating the costs to sell, management considers costs that will be incurred in relation to the sale such as taxes and broker's fees.

As of December 31, 2013, the Company's noncurrent asset held-for-sale amounted to ₱37.52 million (see Note 6).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. 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. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit or loss and OCI.

The carrying value of AFS financial assets is ₱37.96 million and ₱26.70 million as of December 31, 2013 and 2012, respectively (see Note 7).

Fair values of investment properties
The value of the parcels of land was arrived using the *Market Data Approach*. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the difference between the subject property and actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties.

Impairment of financial assets
The Company determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. This determination of what is significant or prolonged decline requires judgment. The Company treats 'significant' generally as 30% or more or 'prolonged' greater than 12 months. In addition, the Company evaluates other factors, including the normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, like changes in technology, and operational and financing cash flows.

The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for doubtful accounts would increase recorded expenses and decrease net income.
The related balances of financial assets as of December 31 follow:

	2013	2012
Insurance receivables - net (Note 5)	**₱74,809,295**	₱84,736,561
AFS financial assets (Note 7)	**37,956,031**	26,700,576
HTM investments (Note 7)	**68,141,534**	53,359,182
Loans and receivables (Note 7)	**7,808,069**	8,371,523
	₱188,714,929	₱173,167,842

As of December 31, 2013 and 2012, allowance for doubtful accounts amounted to ₱0.21 million (see Note 5).

Estimated useful lives of property and equipment and investment properties
The Company reviews annually the estimated useful lives of property and equipment and investment properties, based on the period over which the assets are expected to be available for use. 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 and investment properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2013 and 2012, property and equipment amounted to ₱8.00 million and ₱7.19 million, respectively, while investment properties amounted to ₱133.40 million and ₱76.50 million, respectively (see Notes 10 and 11).

Impairment of nonfinancial assets
The Company assesses impairment on assets (property and equipment and investment properties) whenever events or changes in circumstances indicate that the carrying amount of an 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 acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and its value in use, determined on an individual asset (cash generating unit) basis, unless the individual asset (cash generating unit) does not generate cash flows that are largely independent from those of other assets or group of assets (group of cash generating units).

As of December 31, 2013, the carrying value of property and equipment and investment properties amounted to ₱8.00 million and ₱133.40 million, respectively. As of December 31, 2012, the carrying value of property and equipment and investment properties amounted to ₱7.19 million and ₱76.50 million, respectively (see Notes 10 and 11).

Pension and other employee benefits
The determination of the obligation and cost of pension is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include, among others, discount rate and salary increase rate, are described in Note 21. 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 obligation. Please refer to Note 21 for the related balances.

Recognition of deferred 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 Company recognized net deferred tax assets (liabilities) that amounted to ₱0.35 million, (₱0.09 million) and ₱0.37 million as of December 31, 2013 and 2012 and January 1, 2012, respectively, since management believes that the related tax benefits will be realized in the future (see Note 22). Deferred tax assets pertaining to NOLCO and MCIT were not recognized in the books because the management believes that it is not probable that taxable profits will be available against which these can be utilized (see Note 22).

4. **Cash and Cash Equivalents**

This account consists of:

	2013	2012
Cash on hand	**₱4,516,742**	₱1,157,271
Cash in banks	**18,711,965**	17,978,866
Cash equivalents	**25,264,572**	5,286,217
	₱48,493,279	₱24,422,354

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods depending on the immediate cash requirements of the Company and earned interest with rates ranging from 0.50% to 2.00% in 2013 and 0.83% to 2.75% in 2012.

In 2013 and 2012, interest earned on cash in banks and cash equivalents amounted to ₱0.33 million and ₱0.50 million, respectively (see Note 18).

5. **Insurance Receivables - net**

This account consists of:

	2013	2012
Premiums receivable	**₱58,611,712**	₱53,311,453
Reinsurance recoverable on paid losses	**10,051,197**	22,583,540
Due from ceding companies	**5,299,978**	7,995,160
Funds held by ceding companies	**1,059,191**	1,059,191
	75,022,078	84,949,344
Less allowance for doubtful accounts	**212,783**	212,783
	₱74,809,295	₱84,736,561

Premiums receivable represent premiums on written policies which are collectible within the Company's credit term.

The reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company.

Due from ceding companies pertains to premiums collectible from ceding companies with respect to assumed policies.

Funds held by ceding companies pertain to amounts withheld by ceding companies as collateral for possible reinsurance payments.

Reinsurance recoverable on paid losses, due from ceding companies and funds held by ceding companies are non-interest-bearing and are normally collected within the Company's agreed credit term.

The following tables show the aging information of insurance receivables:

<u>December 31, 2013</u>

	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Premiums receivable	**₱37,536,590**	**₱21,075,122**	**₱–**	**₱–**	**₱58,611,712**
Reinsurance recoverable on paid losses	**2,512,799**	**1,306,656**	**3,517,919**	**2,713,823**	**10,051,197**
Due from ceding companies	**1,589,993**	**900,996**	**1,854,992**	**953,996**	**5,299,977**
Funds held by ceding companies	**–**	**–**	**–**	**1,059,191**	**1,059,191**
	₱41,639,382	**₱23,282,774**	**₱5,372,911**	**₱4,727,010**	**₱75,022,077**

<u>December 31, 2012</u>

	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Premiums receivable	₱34,541,083	₱18,770,370	₱–	₱–	₱53,311,453
Reinsurance recoverable on paid losses	5,307,132	4,358,622	8,468,828	4,448,958	22,583,540
Due from ceding companies	1,577,895	2,439,129	1,998,780	1,979,356	7,995,160
Funds held by ceding companies	–	–	–	1,059,191	1,059,191
	₱41,426,110	₱25,568,121	₱10,467,608	₱7,487,505	₱84,949,344

As of December 31, 2013 and 2012, the Company provided allowance for doubtful accounts on its premiums receivable amounting to ₱0.21 million. The impairment assessment has been determined on an individual basis. There were no movements in the allowance for doubtful accounts in 2013 and 2012.

6. Assets Held-For-Sale

The Company's assets held-for-sale pertain to parcels of land in San Miguel, Tarlac City which was acquired from Tarlac Development Corporation on December 18, 2009. As of December 31, 2013, the carrying value of the asset held-for-sale amounted ₱37.52 million.

On September 25, 2013, the BOD decided to sell the parcels of land in San Miguel, Tarlac in line with the offer received from a third party to buy the said properties. As of December 31, 2013, final negotiations for the sale were still in progress but the Company already received down payment for the sale amounting to ₱17.42 million, which is included under "Deposits from buyer" under "Accounts Payable and Other Liabilities" in the statements of financial position (see Note 15). The parcels of land in San Miguel, Tarlac City were classified as assets held-for-sale since these qualified as such under PFRS 5. The properties are intended for sale and expected to be realized within twelve months after the reporting period.

Impairment of investment properties
Immediately before the classification of the parcels of land as assets-held-for-sale, the recoverable amounts were estimated for the investment properties and no impairment loss was identified. Following the classification, an impairment loss of ₱1.08 million was recognized pertaining to the cost to sell the properties to reduce the carrying amount of the assets to fair value less costs to sell; the amount was presented as part of "Impairment losses" account in the statement of comprehensive income. The Company's investment properties were valued by independent professionally qualified appraisers arrived at using the *Market Data Approach* (see Note 10).

7. Financial Assets

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

	2013	2012
HTM investments	**₱68,141,534**	₱53,359,182
AFS financial assets	**37,956,031**	26,700,576
Loans and receivables	**7,808,069**	8,371,523
	₱113,905,634	₱88,431,281

The assets included in each of the categories above are detailed below:

AFS financial assets
AFS financial assets pertain to quoted and unquoted equity securities. Details are as follows:

	2013	2012
Quoted securities - at fair value		
Listed equity securities:		
Common shares	**₱31,516,781**	₱21,008,576
Preferred shares	**5,741,250**	5,662,000
Unquoted securities - at cost		
Common shares	**698,000**	30,000
Total AFS financial assets recognized in the statements of financial position	**₱37,956,031**	₱26,700,576

The cost of the quoted and unquoted equity securities are as follows:

	2013	2012
Quoted securities - at cost		
Listed equity securities:		
Common shares	**₱38,719,020**	₱25,146,662
Preferred shares	**5,655,000**	5,662,000
Unquoted securities - at cost		
Common shares	**747,593**	30,000
Total AFS financial assets at cost	**₱45,121,613**	₱30,838,662

As of December 31, 2013 and 2012, the "Revaluation reserve on AFS financial assets" recorded in equity amounted to ₱7.17 million and ₱4.14 million, respectively.

The movements in this account follow:

	2013	2012
Balance at beginning of the year	**(₱4,138,086)**	(₱3,374,891)
Revaluation reserve recognized in OCI	**(3,076,303)**	186,749
Realized gain transferred to profit or loss (Note 18)	**(1,617,256)**	(1,731,220)
Impairment loss	**1,666,063**	781,276
Balance at end of the year	**(₱7,165,582)**	(₱4,138,086)

Dividend income earned from the Company's AFS financial assets amounted to ₱0.95 million and ₱0.43 million in 2013 and 2012, respectively (see Note 18).

HTM investments
HTM investments pertain to peso-denominated government securities. Details as of and for the years ended December 31, 2013 and 2012 follow:

	2013	2012
Fair value	**₱73,743,136**	₱58,113,862
Carrying value	**68,141,534**	53,359,182
Coupon rate	**1.63% to 7.38%**	4.88% to 7.38%
Interest income earned (Note 18)	**2,716,131**	2,164,269

The outstanding HTM investments will mature starting April 25, 2016 to August 19, 2023.

The carrying values of AFS financial assets and HTM investments have been determined as follows:

	HTM	AFS
At December 31, 2011	₱45,518,316	₱20,761,091
Additions	24,351,000	61,983,568
Disposals/maturities	(16,510,134)	(56,230,832)
Fair value loss recognized in OCI	–	(763,195)
Fair value gain transferred to profit or loss (Note 18)	–	1,731,220
Impairment loss	–	(781,276)
At December 31, 2012	**53,359,182**	**26,700,576**
Additions	**27,931,772**	**57,897,053**
Disposals/maturities	**(13,149,420)**	**(43,565,295)**
Fair value loss recognized in OCI	**–**	**(3,027,496)**
Fair value gain transferred to profit or loss (Note 18)	**–**	**1,617,256**
Impairment loss	**–**	**(1,666,063)**
At December 31, 2013	**₱68,141,534**	**₱37,956,031**

In 2013 and 2012, impairment loss recognized pertains to investments in various listed equity shares amounting to ₱1.67 million and ₱0.78 million, respectively.

Loans and receivables
This account consists of the following:

	2013	2012
Accounts receivable	**₱3,973,168**	₱4,280,441
Receivables from employees (Note 24)	**3,084,600**	3,370,878
Accrued interest income	**750,301**	720,204
	₱7,808,069	₱8,371,523

As of December 31, 2013 and 2012, the Company’s receivables from employees, accounts receivable and accrued interest income are all due within one year. Accrued interest income pertains mainly to interest accrued arising from cash and cash equivalents, HTM investments and short-term investments.

Interest earned during the year 2013 and 2012 from receivables from employees amounted to ₱1.78 million and ₱1.12 million, respectively (see Note 18).

8. Reinsurance Assets

This account consists of the following:

	2013	2012
Reinsurance recoverable on unpaid losses (Note 13)	**₱23,310,496**	₱52,597,301
Deferred reinsurance premiums (Note 13)	**22,782,185**	28,277,822
	₱46,092,681	₱80,875,123

9. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The details of deferred acquisition costs and deferred reinsurance commissions follow:

	2013	2012
Deferred acquisition costs		
At January 1	**₱13,714,604**	₱11,473,226
Cost deferred during the year	**37,668,535**	29,512,556
Amortization during the year	**(34,122,742)**	(27,271,178)
At December 31	**₱17,260,397**	₱13,714,604
Deferred reinsurance commissions		
At January 1	**₱5,964,062**	₱5,504,202
Income deferred during the year	**12,129,779**	12,896,454
Income earned during the year	**(13,348,035)**	(12,436,594)
At December 31	**₱4,745,806**	₱5,964,062

10. Investment Properties

The movements in this account follow:

	2013	2012
Balance at the beginning of the year	**₱76,501,788**	₱76,501,788
Additions (Note 16)	**95,500,000**	–
	172,001,788	76,501,788
Less transfers to assets-held-for-sale (Note 6)	**38,600,000**	–
Balance at the end of the year	**₱133,401,788**	₱76,501,788

The Company reclassified investment properties with a total cost of ₱38.6 million to assets held-for-sale (see Note 6).

This account consists of parcels of land acquired by the Company from its borrowers in default and contributions from shareholders. The fair value of the Company's investment properties amounted to ₱215.48 million based on fair valuations dated November 29, 2006 to January 10, 2013. The Company's investment properties were valued by independent professionally qualified appraisers on various dates from November 29, 2006 to January 10, 2013. Management believes that the fair values of these investment properties approximate their fair values as of December 31, 2013 and 2012 since there were no major developments in the areas where the investment properties are located. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The fair values of the parcels of land were arrived using the *Market Data Approach*. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the difference between the subject property and actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties.

11. **Property and Equipment**

The rollforward analysis of this account follows:

December 31, 2013

	Transportation Equipment	Leasehold Improvements	Computer Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2013	**₱6,536,364**	**₱903,508**	**₱11,516,713**	**₱3,479,628**	**₱22,436,213**
Additions	**1,015,000**	**173,040**	**1,929,731**	**278,657**	**3,396,428**
Disposals	**(500,000)**	**(5,340)**	**(622,393)**	**(49,255)**	**(1,176,988)**
At December 31, 2013	**7,051,364**	**1,071,208**	**12,824,051**	**3,709,030**	**24,655,653**
Accumulated depreciation and amortization					
At January 1, 2013	**4,466,172**	**385,363**	**7,961,943**	**2,433,464**	**15,246,942**
Depreciation and amortization	**436,323**	**92,582**	**1,270,016**	**293,618**	**2,092,539**
Disposal	**(8,816)**	**(4,066)**	**(618,242)**	**(48,378)**	**(679,502)**
At December 31, 2013	**4,893,679**	**473,879**	**8,613,717**	**2,678,704**	**16,659,979**
Net book value	**₱2,157,685**	**₱597,329**	**₱4,210,334**	**₱1,030,326**	**₱7,995,674**

December 31, 2012

	Transportation Equipment	Leasehold Improvements	Computer Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2012	₱5,456,364	₱887,177	₱10,453,159	₱3,364,087	₱20,160,787
Additions	1,080,000	42,753	1,377,644	200,760	2,701,157
Disposals	–	(26,422)	(314,090)	(85,219)	(425,731)
At December 31, 2012	6,536,364	903,508	11,516,713	3,479,628	22,436,213
Accumulated depreciation and amortization					
At January 1, 2012	4,050,282	301,917	6,622,716	2,195,627	13,170,542
Depreciation and amortization	415,890	86,450	1,645,817	296,191	2,444,348
Disposal	–	(3,004)	(306,590)	(58,354)	(367,948)
At December 31, 2012	4,466,172	385,363	7,961,943	2,433,464	15,246,942
Net book value	₱2,070,192	₱518,145	₱3,554,770	₱1,046,164	₱7,189,271

The total cost of the Company's fully depreciated property and equipment still in use amounted to ₱2.44 million as of December 31, 2013.

Depreciation and amortization expense charged against operations amounted to ₱2.09 million and ₱2.44 million in 2013 and 2012, respectively (see Note 20).

The Company made disposals in 2013 and 2012 at book value amounting to ₱1.18 million and ₱0.43 million, respectively, wherein no gains or loss was recognized.

12. Other Assets

This account consists of the following:

	2013	2012
Prepayments	**₱3,972,663**	₱3,632,416
Documentary stamp fund	**2,904,160**	3,052,075
Creditable withholding tax	**668,244**	2,677,814
Security fund	**14,573**	14,573
	₱7,559,640	₱9,376,878

Prepayments pertain to prepaid taxes, unused office supplies and printed forms which are to be consumed in the Company's operation.

Creditable withholding tax pertains to the excess of payments made against current income tax due which can be claimed against income tax in future periods.

13. Insurance Contract Liabilities and Reinsurance Assets

Short-term nonlife insurance liabilities may be analyzed as follows:

	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 8)	**Net 2013**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 8)	Net 2012
Provision for claims reported by policyholders	**₱57,267,758**	**₱23,283,786**	**₱33,983,972**	₱79,398,688	₱52,570,591	₱26,828,097
Provision for IBNR losses	**789,191**	**26,710**	**762,481**	789,191	26,710	762,481
Outstanding claims provision	**58,056,949**	**23,310,496**	**34,746,453**	80,187,879	52,597,301	27,590,578
Provision for unearned premiums	**70,443,851**	**22,782,185**	**47,661,666**	60,223,384	28,277,822	31,945,562
Total insurance contract liabilities	**₱128,500,800**	**₱46,092,681**	**₱82,408,119**	₱140,411,263	₱80,875,123	₱59,536,140

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 8)	**Net 2013**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 8)	Net 2012
At January 1	**₱80,187,879**	**₱52,597,301**	**₱27,590,578**	₱41,954,301	₱20,449,237	₱21,505,064
Claims incurred during the year	**52,896,719**	**23,528,721**	**29,367,998**	89,921,552	65,504,360	24,417,192
Claims paid during the year - net of salvage and subrogation (Note 19)	**(75,027,649)**	**(52,815,526)**	**(22,212,123)**	(51,965,364)	(33,373,427)	(18,591,937)
Increase in IBNR	**–**	**–**	**–**	277,390	17,131	260,259
At December 31	**₱58,056,949**	**₱23,310,496**	**₱34,746,453**	₱80,187,879	₱52,597,301	₱27,590,578

Provision for unearned premiums may be analyzed as follows:

	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 8)	**Net 2013**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 8)	Net 2012
At January 1	**₱60,223,384**	**₱28,277,822**	**₱31,945,562**	₱49,812,387	₱25,172,912	₱24,639,475
New policies written during the year (Note 17)	**154,122,658**	**60,449,442**	**93,673,216**	132,817,805	62,683,624	70,134,181
Premiums earned during the year (Note 17)	**(143,902,191)**	**(65,945,079)**	**(77,957,112)**	(122,406,808)	(59,578,714)	(62,828,094)
At December 31	**₱70,443,851**	**₱22,782,185**	**₱47,661,666**	₱60,223,384	₱28,277,822	₱31,945,562

14. Insurance Payables

This account consists of:

	2013	2012
Due to reinsurers and ceding companies	**₱4,579,002**	₱1,683,549
Funds held for reinsurers	**3,474,629**	5,328,558
	₱8,053,631	₱7,012,107

The rollforward analysis of insurance payables follows:

	Due to reinsurers and ceding companies	**Funds held for reinsurers**	**Total**
At December 31, 2011	₱2,277,162	₱4,704,800	₱6,981,962
Arising during the year	22,260,748	5,328,558	27,589,306
Paid/Utilized	(22,854,361)	(4,704,800)	(27,559,161)
At December 31, 2012	**1,683,549**	**5,328,558**	**7,012,107**
Arising during the year	**47,238,319**	**3,474,629**	**50,712,948**
Paid/Utilized	**(44,342,866)**	**(5,328,558)**	**(49,671,424)**
At December 31, 2013	**₱4,579,002**	**₱3,474,629**	**₱8,053,631**

15. Accounts Payable and Other Liabilities

This account consists of:

	2013	2012
Deposit from buyer (Note 6)	**₱17,419,340**	₱–
Taxes payable	**3,399,653**	2,845,970
Accrued expenses	**1,142,723**	1,004,851
Output VAT	**381,964**	192,718
Payable to government agencies	**114,450**	191,728
Deferred output VAT	–	3,660,089
Collateral bonds	–	4,595,524
	₱22,458,130	₱12,490,880

Deposits from buyer pertain to down payment received from installment sale of land. This property refers to the assets classified as held-for-sale as of December 31, 2013 (see Note 6).

Taxes payable pertain to withholding taxes, documentary stamps and fire service tax payable.

Accrued expenses pertain to operating expenses of the Company which are non-interest-bearing and are due and demandable.

Payable to government agencies pertains to contributions to SSS, Pag-ibig and Medicare.

Output VAT, taxes payable and accounts payable are non-interest-bearing and normally settled within 30 to 60 days.

Collateral bonds pertain to cash deposited and held by the Company to secure the obligations under the bonds issued.

16. Equity

The Company's capital stock consists of:

	2013		2012	
	Shares	**Amount**	Shares	Amount
Common stock - ₱100 par value				
Authorized:				
At January 1 and December 31	**3,000,000**	**₱300,000,000**	3,000,000	₱300,000,000
Issued and outstanding:				
At January 1	**1,750,000**	**₱175,000,000**	1,508,000	₱150,800,000
Issuance of shares	**959,550**	**95,955,000**	242,000	24,200,000
At December 31	**2,709,550**	**₱270,955,000**	1,750,000	₱175,000,000

On May 10, 2012, the SEC approved the Company's application for the conversion of its DFSS to capital stock amounting to ₱14.2 million and the issuance of stock dividend amounting to ₱10.0 million. The Company issued additional 242,000 shares to its existing stockholders at ₱100 per share for a total of ₱24.2 million.

In 2013 the Company issued additional 959,550 shares to its existing stockholders at ₱100 per share for a total of ₱95,955,000 in exchange for the cash received amounting to ₱0.46 million and a parcel of land with a fair value of ₱95.5 million (see Note 10).

17. **Net Insurance Earned Premiums**

Gross earned premiums on insurance contracts and reinsurers' share of gross earned premiums on insurance contracts consist of the following:

	2013	2012
Gross premiums on insurance contracts:		
Direct insurance	**₱149,999,195**	₱130,427,712
Assumed reinsurance	**4,123,463**	2,390,093
Total gross premiums on insurance contracts (Note 13)	**154,122,658**	132,817,805
Gross change in provision for unearned premiums (Note 13)	**(10,220,467)**	(10,410,997)
Total gross earned premiums on insurance contracts	**143,902,191**	122,406,808
Reinsurers' share of gross premiums on insurance contracts:		
Direct insurance	**59,676,574**	61,555,615
Assumed reinsurance	**772,868**	1,128,009
Total reinsurers' share of gross premiums on insurance contracts (Note 13)	**60,449,442**	62,683,624
Reinsurers' share of gross change in provision for unearned premiums (Note 13)	**5,495,637**	(3,104,910)
Total reinsurers' share of gross earned premiums on insurance contracts	**65,945,079**	59,578,714
Total net insurance earned premiums	**₱77,957,112**	₱62,828,094

18. **Investment and Other Income and other Underwriting Income**

This account consists of:

	2013	2012
Interest income:		
Cash and cash equivalents (Note 4)	**₱331,874**	₱502,304
HTM investments (Note 7)	**2,716,131**	2,164,269
Loans to employees (Note 7)	**1,781,129**	1,115,108
Gain on sale of AFS financial assets (Note 7)	**1,617,256**	1,731,220
Dividend income (Note 7)	**947,887**	429,504
	₱7,394,277	₱5,942,405

Other underwriting income pertains to income from various sources including its share in insurance pool.

19. **Net Insurance Benefits and Claims**

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

	2013	2012
Insurance contract benefits and claims paid:		
Direct insurance	**₱71,183,697**	₱49,143,574
Assumed reinsurance	**3,843,952**	2,821,790
Total insurance contract benefits and claims paid (Note 13)	**₱75,027,649**	₱51,965,364

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

	2013	2012
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**(41,397,097)**	(₱31,072,289)
Assumed reinsurance	**(11,418,429)**	(2,301,138)
Total reinsurers' share of insurance contract benefits and claims paid (Note 13)	**(₱52,815,526)**	(₱33,373,427)

Gross change in insurance contract liabilities:

	2013	2012
Change in provision for claims reported:		
Direct insurance	**(₱19,578,805)**	₱34,114,001
Assumed reinsurance	**(2,552,125)**	3,842,187
Change in provision for IBNR	**–**	277,390
Total gross change in insurance contract liabilities (Note 13)	**(₱22,130,930)**	₱38,233,578

Reinsurers' share of gross change in insurance contract liabilities:

	2013	2012
Reinsurers' share of gross insurance contract liabilities:		
Direct insurance	**₱29,286,805**	(₱32,130,933)
Reinsurers' share of change in provision for IBNR	**–**	(17,131)
Total reinsurers' share of gross change in insurance contract liabilities (Note 13)	**₱29,286,805**	(₱32,148,064)

20. Operating Expenses

This account consists of:

	2013	2012
Salaries and employee benefits (Note 21)	**₱30,129,699**	₱29,448,559
Rent (Note 26)	**4,899,857**	4,291,226
Depreciation and amortization (Note 11)	**2,092,539**	2,444,348
Professional fees	**1,993,990**	511,194
Directors' fees	**1,255,000**	1,245,000
Taxes, licenses and fees	**1,096,784**	735,701
Printing and office supplies	**849,045**	680,844
Entertainment, amusement and recreation	**750,327**	686,168
Transportation and travel	**710,444**	1,182,209
Communication and postage	**699,536**	677,321
Light and water	**618,046**	488,633
Repairs and maintenance	**485,887**	457,331
Professional and technical development	**421,205**	766,487
Janitorial and messengerial services	**317,102**	552,485
Advertising	**226,951**	262,638
Association dues	**169,186**	148,977
Donation and contributions	**95,350**	126,850
Insurance	**20,888**	20,237
Miscellaneous	**896,412**	1,197,518
	₱47,728,248	₱45,923,726

21. Retirement Plan

The Company has a funded, tax qualified, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to an Investment Committee. These funds are subject to the investment objectives and guidelines established by the Investment Committee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Investment Committee is responsible for the investment strategy of the plan.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The following tables summarize the components of the benefit expense (income) recognized in profit or loss under "Operating expenses", and the funded status and amounts recognized in the statements of financial position for the plan:

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1, as restated	**₱20,592,314**	**(₱18,451,456)**	**₱2,140,858**
Benefit cost in statement of income			
Current service cost (Note 20)	**1,941,458**	**–**	**1,941,458**
Net interest expense	**1,039,912**	**(931,799)**	**108,113**
Remeasurements in OCI			
Actuarial loss on plan assets	**–**	**381,586**	**381,586**
Actuarial loss on defined benefit obligation	**1,346,019**	**–**	**1,346,019**
Contributions	**–**	**(4,334,592)**	**(4,334,592)**
Benefits paid	**(461,595)**	**461,595**	**–**
At December 31	**₱24,458,108**	**(₱22,874,666)**	**₱1,583,442**
Actual return on plan assets		**₱550,213**	

	2012		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1, as restated	₱20,265,510	(₱15,978,907)	₱4,286,603
Benefit cost in statement of income			
Current service cost (Note 20)	1,744,970	–	1,744,970
Net interest expense	1,138,922	(898,015)	240,907
Remeasurements in OCI			
Actuarial gain on plan assets	–	(79,923)	(79,923)
Actuarial gain on defined benefit obligation	(2,126,699)	–	(2,126,699)
Contributions	–	(1,925,000)	(1,925,000)
Benefits paid	(430,389)	430,389	–
At December 31	₱20,592,314	(₱18,451,456)	₱2,140,858
Actual return on plan assets		₱977,938	

The current service cost is presented in the profit or loss under the "Salaries and employee benefits" account in the "Operating expenses" (see Note 20). Net interest income in the retirement benefits is presented as part of "Interest expense" in the profit or loss.

The effects of the first-time adoption of Revised PAS 19 on the financial statements as of December 31, 2012 and January 1, 2012 follow:

	December 31, 2012	January 1, 2012
Pension liability – net		
As previously reported		
Present value of defined benefit obligation	₱20,592,314	₱20,265,510
Fair value of plan assets	(18,451,456)	(15,978,907)
	2,140,858	4,286,603
Unrecognized actuarial gain	(56,266)	(2,212,500)
	2,084,592	2,074,103
Prior period adjustments:		
Deferred tax asset	16,879	663,750
Other comprehensive loss	258,206	1,802,841
Retained earnings	(218,819)	(254,091)
	56,266	2,212,500
As restated	₱2,140,858	₱4,286,603

The fair values of plan assets by each class as at the end of the reporting period of the Company are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents			
Savings deposit – BDO	**₱160**	₱364	₱458,386
Special deposit – BSP	**4,000,711**	–	–
Debt instrument:			
Government securities	**8,365,672**	15,884,963	11,786,400
Corporate bonds	**1,005,753**	1,005,753	–
Equity instrument:			
Investment in UITF	**9,537,400**	1,588,736	3,758,482
	22,909,696	18,479,816	16,003,268
Trust fee payable	**(35,030)**	(28,360)	(24,361)
Fair value of plan assets	**₱22,874,666**	₱18,451,456	₱15,978,907

The carrying values of the Company's plan assets approximate their fair values due to the following:

Cash and cash equivalents and trust fees payable - due to short-term nature of the financial instruments

Debt and equity instruments - carried at fair value

The Company's investments in the Plan Assets carried at fair values are classified under the following categories in the Fair Value Hierarchy:

- Debt instruments - Level 1
- Investment in UITF - Level 2

For the year ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Company's plan assets have no investment in related parties.
The principal actuarial assumptions used in determining retirement benefit obligations follow:

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Discount rate	**4.23%**	5.05%	5.62%
Salary increase rate	**5.00%**	5.00%	5.00%
Average remaining working lives of employees	**18 years**	18 years	18 years

Below shows the sensitivity analysis determined based on reasonably possible changes of each significant assumptions stated above as of December 31, 2013, assuming all other assumptions were held constant:

	Increase (decrease) in rates	Increase (decrease)
Discount rate	+0.5%	(₱62,254)
	-0.5%	70,545
Salary increase rate	+1.0%	170,552
	-1.0%	(115,083)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2013:

Less than 1 year	**₱1,640,274**
More than 1 year to 5 years	**2,950,589**
More than 5 years to 10 years	**19,810,476**
More than 10 years to 15 years	**11,741,395**
More than 15 years to 20 years	**21,653,467**
More than 20 years	**92,308,707**
Total	**₱150,104,908**

The Company expects to contribute ₱3,294,812 to the plan in 2014.

22. Income Tax

The components of the Company's net deferred tax assets (liabilities) consist of the tax effects of the following:

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Presented in profit or loss			
Deferred tax assets on:			
Excess of provision for unearned premiums per books over tax basis	**₱2,874,954**	₱2,267,664	₱1,240,882
Deferred reinsurance commissions	**1,423,742**	1,789,219	1,651,260
Unamortized past service cost	**689,353**	48,608	–
Accrued retirement	–	531,598	513,334
Provision for IBNR losses	**228,744**	228,744	150,667
Allowance for doubtful accounts	**63,835**	63,835	63,835
Total deferred tax assets	**5,280,628**	4,929,668	3,619,978
Deferred tax liabilities on:			
Deferred acquisition costs	**5,178,119**	4,114,381	3,441,968
Excess of deferred reinsurance premiums per books over tax basis	**227,563**	1,014,397	581,234
Accrued retirement	**153,908**	–	–
Total deferred tax liabilities	**5,559,590**	5,128,778	4,023,202
	(278,962)	(199,110)	(403,224)
Presented in other comprehensive income			
Deferred tax asset			
Accrued retirement	**628,941**	110,660	772,647
Net deferred tax assets (liabilities)	**₱349,979**	(₱88,450)	₱369,423

Deferred tax assets pertaining to NOLCO and MCIT, as of December 31, 2012 and January 1, 2012 were not recognized in the books because the management believes that it is not probable that taxable profits will be available against which these can be utilized

The movements in NOLCO are as follows:

	2013	2012
At January 1	**₱1,265,055**	₱15,297,480
Expired	–	(11,385,103)
Applied	**(1,265,055)**	(2,647,322)
	₱–	₱1,265,055

The movements in MCIT are as follows:

	2013	2012
At January 1	**₱626,923**	₱685,277
Addition	–	200,644
Expired	–	(258,998)
Applied	**(626,923)**	–
	₱–	₱626,923

The reconciliation of statutory income tax rate to effective income tax rate follows:

	2013	2012
Tax at statutory income tax rate	**30.00%**	30.00%
Add (deduct) tax effects of:		
Change in unrecognized deferred tax assets on NOLCO and MCIT	**(5.90)**	(22.89)
Income subjected to final taxes	**(4.63)**	(12.96)
Dividend income	**(1.67)**	(2.13)
Nondeductible expenses	**4.83**	3.87
Expired NOLCO	–	13.10
Effective income tax	**22.63%**	8.99%

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

Governance Framework
The primary objective of the Company's risk and financial management framework is to ensure that the risks related to the Company are managed through a systematic and consistent risk management process. The Company recognizes the critical importance of having efficient and effective risk management systems in place.

The Company is guided by its standard operating procedures and internal control procedures designed to ensure attainment of the Company's objectives. Currently, the Company has no separate risk management policies since these are incorporated within the standard operating and internal control procedures. Also, risk management includes the Company entering into treaty agreements, which more or less limits the risk acceptance.

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., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, risk-based capital (RBC) requirements).

Capital Management Framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators as imposed under Department of Finance Order (DO) 27-06 and the amount computed under the RBC Model.

The Company reviews the capital requirements through monthly computation of the Margin of Solvency (MOS) and the RBC which are 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 meetings. They have shown their commitment to comply with this regulation, same as prior years when they willingly infused additional cash as the need arose.

MOS
Under the Insurance Code (the Code), a nonlife insurance company doing business in the Philippines shall maintain, at all times, an MOS equal to ₱500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS shall be the excess of the value of its admitted assets (as defined under the same Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums, and reinsurance reserves. Net provision for unearned premiums as of December 31, 2013 and 2012, determined in accordance with the same Code for purposes of MOS, amounted to ₱37,263,769 and ₱27,768,003, respectively. In the accompanying financial statements, the net provision for unearned premiums as of December 31, 2013 amounted to ₱47,661,666 computed as provision for unearned premiums of ₱70,443,851 less deferred reinsurance premiums of ₱22,782,185, while the net provision for unearned premiums as of December 31, 2012 amounted to ₱31,945,562, computed as provision for unearned premiums of ₱60,223,384 less deferred reinsurance premiums of ₱28,277,822 (see Note 13).

The estimated amounts of non-admitted assets as of December 31, 2013 and 2012, as defined under the Code, which are included in the accompanying statements of financial position, follow:

	2013	2012
Premiums in course of collection (direct)	**₱1,818,313**	₱1,590,028
Deferred acquisition costs	**17,260,397**	13,714,604
Property and equipment – net	**3,785,340**	3,634,501
Accounts receivable	**3,084,600**	4,280,441
Other assets	**7,226,802**	6,684,534
	₱29,921,312	₱29,904,108

As of December 31, 2013 and 2012, the Company's MOS, based on its estimate, amounted to ₱45,199,226 and ₱28,058,002, respectively, for which the Company is in excess by ₱38,185,808 and ₱22,317,387 of the required MOS of ₱7,013,418 and ₱5,371,707, respectively.

The final amount of the MOS can only be determined after the accounts of the Company have been examined by the IC, particularly with respect to the determination of admitted and non-admitted assets.

Fixed Capitalization Requirements
Department of Finance Order (DO) No. 27-06 provides for the capitalization requirements for life, nonlife and reinsurance companies on a staggered basis for the years ended December 31, 2006 up to 2011. Depending on the level of the foreign ownership in the insurance company, the minimum statutory net worth and minimum paid-up capital requirements vary. The statutory net worth shall include the company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

On October 29, 2008, the IC issued the Circular Letter No. 26-2008, which recalls that in view of the compliance of insurance companies with the requirement of IMC No. 10-2006, the scheduled increases due December 31, 2008 have been deferred for a year. Hence, the IMC reiterates that by December 31, 2008, insurance companies should comply with the increase previously scheduled for December 31, 2007.

On June 1, 2012, the Department of Finance issued DO No. 15-2012 which provides for minimum paid up capital requirements of all insurance and professional reinsurance companies to supplement the requirements of DO No. 27-06 after December 31, 2012. Under the said DO, the minimum paid up capital requirements is on a staggered basis for the years December 31, 2012 up to 2020. The DO also allows all existing insurance and professional reinsurance companies a one-time one-year deferral in the compliance to minimum paid up capital requirements provided it has met the RBC hurdle rate based on the schedule set out in the said DO.

The table below shows the amount of minimum paid-up capital and the schedule of compliance per DO No. 15-2012.

Paid-up capital	Compliance Date
250,000,000	On or before December 31, 2012 *(Pursuant to DO 27-06 and IMC No. 10-2006)*
400,000,000	On or before December 31, 2014
600,000,000	On or before December 31, 2016
800,000,000	On or before December 31, 2018
1,000,000,000	On or before December 31, 2020

On November 22, 2012, the IC issued an advisory to all insurance and reinsurance companies doing business in the Philippines regarding the implementation of DO No. 27-06. According to the advisory, the minimum paid-up capital for December 31, 2012 must at least be equal to the amount previously scheduled for December 31, 2011 per DO 27-06.

On December 11, 2012, DO No. 15-2012 was issued with a temporary restraining order. Accordingly, the minimum paid up capital requirement would be 250,000,000 by the end of 2012 as advised by the IC.

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the “New Insurance Code” which provides the new capitalization requirements of 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

As of December 31, 2013 and 2012, the Company’s estimated statutory net worth amounted to ₱403,853,558 and ₱295,388,633, respectively.

On January 23, 2013, the Company’s BOD already approved the increase in the Company’s paid up capital from ₱175.00 million to ₱270.96 million. On February 5, 2013, the Company has already filed an application with the Insurance Commission (IC) to allow the Company’s stockholders to contribute real property as payment of their subscriptions amounting to ₱95.50 million. On June 26, 2013, the Company obtained the approval of both the Insurance Commission and the SEC in its application to use real property for capital infusion.

Unimpaired capital requirement
IMC No. 22-2008 provides that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders’ equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirement.

Risk-based Capital Requirements
IMC No. 7-2006 provides for the RBC framework for the nonlife 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 net worth divided by the RBC requirement. Net worth shall include the Company’s paid-up capital, contributed surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

The following table shows how the RBC ratio as of December 31, 2013 and 2012 was determined by the Company:

	2013	2012
Net worth	**₱403,853,558**	₱295,388,633
RBC requirement	**94,730,212**	71,557,602
RBC Ratio	**426%**	413%

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

If an insurance company failed to meet the minimum required MOS, fixed capitalization requirements and RBC 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.

Consolidated Compliance Framework
IMC 10-2006 integrated the compliance standards for the fixed capitalization and risk-based capital framework.

Subsequent to year 2006, the fixed capitalization requirement for a given year may be suspended for insurers that comply with the required RBC hurdle rate, provided that the industry complies with the required Industry RBC Ratio Compliance Rate. The IMC provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011. For the review years 2013 and 2012, which shall be based on the 2010 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC Hurdle Rate is 250%. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirement for the year under review. Based on IC Circular Letter No. 26-2008 and DO 27-06, the next level of capital requirement for the Company as of December 31, 2013 and 2012 will be ₱500,000,000 for statutory net worth and ₱250,000,000 for minimum paid-up capital.

In cases where the Company will be required to comply with the higher capital requirements of the IC including the RBC ratio, the Company's stockholders are committed to infuse additional contribution to cover up any deficiency it may have and meet the capital requirements as mandated by the IC.

Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, when actual benefits paid are greater than originally estimated, and subsequent development of long-term claims.

The Company principally issues the following types of general insurance contracts: fire, motor car, marine insurance, personal accident insurance and miscellaneous casualty. Risks under general insurance policies usually cover a twelve-month period.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities.

These risks vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further 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 has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example, hurricanes, earthquakes and flood damages.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following table sets out the concentration of the claims liabilities by type of contract:

December 31, 2013

	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net Claims Liabilities**
Fire	**₱28,802,651**	**₱19,801,605**	**₱9,001,046**
Motor	**21,679,015**	**3,313,820**	**18,365,195**
Miscellaneous casualty	**6,393,077**	**14,567**	**6,378,510**
Personal accident	**393,015**	**153,794**	**239,221**
Total	**₱57,267,758**	**₱23,283,786**	**₱33,983,972**

December 31, 2012

	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	₱63,619,723	₱51,933,522	₱11,686,201
Motor	14,147,173	322,025	13,825,148
Miscellaneous casualty	1,029,389	78,811	950,578
Personal accident	358,525	76,134	282,391
Marine	243,878	160,099	83,779
Total	₱79,398,688	₱52,570,591	₱26,828,097

Terms and conditions

The major classes of general insurance written by the Company include motor car, fire and marine insurance. Risks under these policies usually cover a 12-month period.

For general insurance contracts, outstanding claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

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

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

The analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant, on the statements of comprehensive income.

	2013			
	Change in Assumptions	**Impact on gross insurance contract liabilities**	**Impact on net insurance contract liabilities**	**Impact on income before income tax**
Average claim costs	**80.77% increase**	**₱43,369,230**	**₱27,691,552**	**(₱27,691,552)**
Average number of claims	**0.15% increase**	**81,431**	**51,994**	**(51,994)**

	2012			
	Change in Assumptions	Impact on gross insurance contract liabilities	Impact on net insurance contract liabilities	Impact on income before income tax
Average claim costs	56.48% increase	₱49,525,508	₱22,078,420	(₱22,078,420)
Average number of claims	7.85% decrease	(6,882,914)	(3,068,396)	3,068,396

The average claim costs and number of claims were based on the Company's claims development experience for the past five years.

Claims Development Table
Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis for fire, marine and motor lines.

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

The Company aims to maintain strong reserves in respect of its general insurance in order to protect against adverse future claims experience and development. As claims develop and ultimate costs of claims become more certain, the absence of adverse claims experience will then result in a 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 where the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

Gross General Insurance Contract Liabilities for 2013

Accident year	Prior Years	2009	2010	2010	2012	2013	Total
Estimate of ultimate claims costs:							
At the end of accident year	**₱191,213,786**	**₱161,857,610**	**₱69,769,173**	**₱39,969,096**	**₱87,690,629**	**₱53,694,688**	**₱53,694,688**
One year later	**192,806,261**	**161,857,610**	**69,769,173**	**39,969,096**	**87,690,629**	**–**	**87,690,629**
Two years later	**192,830,468**	**161,857,610**	**69,769,173**	**39,969,096**	**–**	**–**	**39,969,096**
Three years later	**192,937,945**	**161,857,610**	**69,769,173**	**–**	**–**	**–**	**69,769,173**
Four years later	**192,937,945**	**161,857,610**	**–**	**–**	**–**	**–**	**161,857,610**
Five years later	**192,937,945**	**–**	**–**	**–**	**–**	**–**	**192,937,945**
Current estimate of cumulative claims	**192,937,945**	**161,857,610**	**69,769,173**	**39,969,096**	**87,690,629**	**53,694,688**	**605,919,141**
Cumulative payments to date	**(192,937,945)**	**(161,857,610)**	**(58,234,694)**	**(33,690,953)**	**(85,196,213)**	**(15,944,777)**	**(547,862,192)**
Total gross insurance contract liabilities included in the statement of financial position	**₱–**	**₱–**	**₱11,534,479**	**₱6,278,143**	**₱2,494,416**	**₱37,749,911**	**₱58,056,949**

Net General Insurance Contract Liabilities for 2013

Accident year	Prior Years	2009	2010	2011	2012	2013	Total
Estimate of ultimate claims costs:							
At the end of accident year	**₱67,342,070**	**₱54,518,548**	**₱49,789,140**	**₱15,040,851**	**₱39,092,392**	**₱34,284,428**	**₱34,284,428**
One year later	**68,450,028**	**54,518,548**	**49,789,140**	**15,040,851**	**39,092,392**	**–**	**39,092,392**
Two years later	**68,435,604**	**54,518,548**	**49,789,140**	**15,040,851**	**–**	**–**	**15,040,851**
Three years later	**68,507,535**	**54,518,548**	**49,789,140**	**–**	**–**	**–**	**49,789,140**
Four years later	**68,507,535**	**54,518,548**	**–**	**–**	**–**	**–**	**54,518,548**
Five years later	**68,507,535**	**–**	**–**	**–**	**–**	**–**	**68,507,535**
Current estimate of cumulative claims	**68,507,535**	**54,518,548**	**49,789,140**	**15,040,851**	**39,092,392**	**34,284,428**	**261,232,894**
Cumulative payments to date	**(68,507,535)**	**(54,518,548)**	**(45,513,638)**	**(14,245,266)**	**(37,996,803)**	**(5,704,651)**	**(226,486,441)**
Total net insurance contract liabilities included in the statement of financial position	**₱–**	**₱–**	**₱4,275,502**	**₱795,585**	**₱1,095,589**	**₱28,579,777**	**₱34,746,453**

Fair values of Financial Instruments

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and other receivables, insurance contract liabilities, insurance payables, and accounts payable and other liabilities, their carrying values reasonably approximate fair values at year-end.

The fair values of AFS financial assets that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date or the last trading day as applicable. Unquoted AFS financial instruments are carried at cost, less any allowance for impairment loss. The fair values of HTM financial assets were determined using quoted market prices.

Due to long term nature of the HTM investments, its carrying value differs from its fair value. The fair value of HTM investments is based on the quoted market prices at the end the reporting date. The fair value of HTM investments amounted to ₱73.74 million and ₱58.11 million as of December 31, 2013 and 2012, respectively (see Note 7).

Fair Value Hierarchy

The Company considers its quoted AFS financial assets amounting to ₱37.26 million and ₱26.67 million as of December 31, 2013 and 2012, respectively, under Level 1 classification. There are no AFS financial assets which have been classified under the Level 2 and 3 categories. During the reporting period ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement (see Note 7).

Financial Risk and Management

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Company is exposed to 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

Prior to extending credit, the Company manages its credit risk by assessing credit quality of its counterparty. The Company also manages its credit risk exposure through credit analysis. This is a process of assessing the credit quality of a counterparty, which is a process that includes judgment.

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, 2013 and 2012:

	2013	2012
Cash and cash equivalents (excluding cash on hand)	**₱43,976,537**	₱23,265,083
Insurance receivables:		
Premiums receivable	**58,611,712**	53,311,453
Reinsurance recoverable on paid losses	**10,051,197**	22,583,540
Due from ceding companies	**5,299,978**	7,995,160
Funds held by ceding companies	**1,059,191**	1,059,191
HTM investments	**68,141,534**	53,359,182
Loans and receivables		
Receivables from employees	**3,084,600**	3,370,878
Accounts receivable	**3,973,168**	4,280,441
Accrued interest income	**750,301**	720,204
Total	**₱194,948,218**	₱169,945,132

As of December 31, 2013 and 2012, the carrying values of the Company's financial instruments represent maximum exposure to credit risk at reporting date. The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2013 and 2012.

Since the Company transacts only with recognized, creditworthy third parties, there is no requirement for collateral. Insurance receivables and loans and receivables are highly collectible. Cash and cash equivalents are placed with reputable financial institution.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

December 31, 2013

	Neither past due nor impaired			**Past due**	
	High	**Medium**	**Low**	**or impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱43,976,537**	**₱–**	**₱–**	**₱–**	**₱43,976,537**
Insurance receivables:					
Premiums receivable	**56,580,616**	–	–	**2,031,096**	**58,611,712**
Reinsurance recoverable on paid losses	**5,025,599**	–	–	**5,025,598**	**10,051,197**
Due from ceding companies	**2,913,761**	**1,096,410**	–	**1,289,807**	**5,299,978**
HTM investments	**68,141,534**	–	–	–	**68,141,534**
Loans and receivables:					
Receivables from employees	**3,084,600**	–	–	–	**3,084,600**
Accounts receivable	**3,973,168**	–	–	–	**3,973,168**
Accrued interest income	**750,301**	–	–	–	**750,301**
	₱184,446,115	**₱1,096,410**	**₱-**	**₱8,346,501**	**₱193,889,026**

December 31, 2012

	Neither past due nor impaired			Past due	
	High	Medium	Low	or impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱23,265,083	₱–	₱–	₱–	₱23,265,083
Insurance receivables:					
Premiums receivable	33,875,218	17,180,341	665,866	1,590,028	53,311,453
Reinsurance recoverable on paid losses	8,017,157	2,710,025	–	11,856,358	22,583,540
Due from ceding companies	4,477,290	519,685	–	2,998,185	7,995,160
HTM investments	53,359,182	–	–	–	53,359,182
Loans and receivables:					
Receivables from employees	3,370,878	–	–	–	3,370,878
Accounts receivable	4,280,441	–	–	–	4,280,441
Accrued interest income	720,204	–	–	–	720,204
	₱131,365,453	₱20,470,051	₱665,866	₱16,384,571	₱168,885,941

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

The above assets were classified by the Company as High grade, Medium grade, Low grade or Past due. High grade pertains to assets of the Company that are highly convertible to cash based on the Company's experience and those that are classified by the IC as readily admitted assets. Medium and low grade pertains to assets of the Company that are beyond the 30-day credit term and 60-day credit term, respectively, based on the Company's experience. Past due are those that are beyond the 90-day credit term which however are still highly collectible as these are corporate accounts wherein the Company has reciprocity of business.

The tables below show the analysis by age of financial assets that are past due but are not impaired.

December 31, 2013

	Neither past due nor impaired	Age analysis of financial assets past due but not impaired < 30 days	31 to 60 days	61 to 90 days	> 90 days	Total Past due but not impaired	Past due and Impaired	Total
Premiums receivable	**₱56,580,616**	**₱1,818,313**	**₱–**	**₱–**	**₱–**	**₱1,818,313**	**₱212,783**	**₱58,611,712**
Reinsurance recoverable on paid losses	**5,025,599**	**1,934,855**	**–**	**2,535,494**	**555,249**	**5,025,598**	**–**	**10,051,197**
Due from ceding companies	**4,010,171**	**435,871**	**365,871**	**–**	**488,065**	**1,289,807**	**–**	**5,299,978**
Total	**₱65,616,386**	**₱4,189,039**	**₱365,871**	**₱2,535,494**	**₱1,043,314**	**₱8,133,718**	**₱212,783**	**₱73,962,887**

December 31, 2012

	Neither past due nor impaired	Age analysis of financial assets past due but not impaired < 30 days	31 to 60 days	61 to 90 days	> 90 days	Total Past due but not impaired	Past due and Impaired	Total
Premiums receivable	₱51,721,425	₱1,377,245	₱–	₱–	₱–	₱1,377,245	₱212,783	₱53,311,453
Reinsurance recoverable on paid losses	10,727,182	7,610,653	4,245,705	–	–	11,856,358	–	22,583,540
Due from ceding companies	4,996,975	1,463,114	1,535,071	–	–	2,998,185	–	7,995,160
Total	₱67,445,582	₱10,451,012	₱5,780,776	₱–	₱–	₱16,231,788	₱212,783	₱83,890,153

The standard credit-term given by the Company is 90 days. However, accounts more than 90 days may be past due but not necessarily impaired. A 180-day credit term may be given for those accounts with reciprocal business and those accounts involving large amounts of sum insured or the jumbo accounts which as practiced are subject to quarterly remittance scheme.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Company holds sufficient liquid assets to enable it to continue normal operations. To achieve this objective, the Company positions its investments to match the projected cash requirements.

To strike the optimal balance between generating adequate investment returns and holding securities that can be easily sold for cash if required, the Company divides its investment portfolio into tranches with liquidity objectives and benchmarks. The Company's core liquidity portfolio is invested in relatively liquid securities that can be readily sold if required. In addition to the core portfolio, the Company maintains a second tranche of liquidity that is always invested in the most highly liquid securities to cover its expected operational cash flow needs.

Maturity profile
The tables below summarize the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

December 31, 2013	**Within a year***	**2-3 years**	**Over 3 years**	**No term**	**Total**
Loans and Receivables					
Cash and cash equivalents	**₱48,493,279**	**₱–**	**₱–**	**₱–**	**₱48,493,279**
Insurance receivables	**74,809,295**	–	–	–	**74,809,295**
HTM investments	**16,431,772**	**6,000,000**	**45,709,762**	–	**68,141,534**
AFS financial assets	–	–	–	**37,956,031**	**37,956,031**
Loans and receivables	**7,808,069**	–	–	–	**7,808,069**
Total financial assets	**₱144,542,415**	**₱–**	**₱54,709,762**	**₱37,956,031**	**₱237,208,208**
Other Financial Liabilities					
Insurance contract liabilities	**₱58,056,949**	**₱–**	**₱–**	**₱–**	**₱58,056,949**
Insurance payables	**8,053,631**	–	–	–	**8,053,631**
Accrued expenses	**1,142,723**	–	–	–	**1,142,723**
Accounts payable	**114,450**	–	–	–	**114,450**
Total financial liabilities	**₱67,367,753**	**₱–**	**₱–**	**₱–**	**₱67,367,753**

*Includes due and demandable accounts

December 31, 2012	Within a year*	2-3 years	Over 3 years	No term	Total
Loans and Receivables					
Cash and cash equivalents	₱24,422,354	₱–	₱–	₱–	₱24,422,354
Insurance receivables	84,736,561	–	–	–	84,736,561
HTM investments	13,351,000	–	40,008,182	–	53,359,182
AFS financial assets	–	–	–	26,700,576	26,700,576
Loans and receivables	8,371,523	–	–	–	8,371,523
Total financial assets	₱130,881,438	₱–	₱40,008,182	₱26,700,576	₱197,590,196
Other financial liabilities					
Insurance contract liabilities	₱80,187,879	₱–	₱–	₱–	₱80,187,879
Insurance payables	7,012,107	–	–	–	7,012,107
Accrued expenses	1,004,851	–	–	–	1,004,851
Accounts payable	191,728	–	–	–	191,728
Total financial liabilities	₱88,396,565	₱–	₱–	₱–	₱88,396,565

*Includes due and demandable accounts

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and price risk.

The Company structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Company; provides basis used to fair value financial assets and liabilities; establishes asset allocation and portfolio limit structure; provides diversification benchmarks by type of instrument; sets out the net exposure limits by each counterparty or group of counterparties and industry segments; establishes control over hedging activities; reports market risk exposures; monitors compliance with market risk policy; and reviews market risk policy for pertinence and changing environment.

Interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company manages its interest rate risk by investing in fixed rate instruments. It also manages the maturities of interest-bearing financial assets and financial liabilities.

The following table shows the information relating to the financial assets that are exposed to fair value interest rate risk presented by maturity profile:

December 31, 2013

	Range of Interest	**Up to a year**	**2-3 years**	**Over 3 years**	**Total**
Loans and receivable:					
Cash and cash equivalents	**0.50% to 2.00%**	**₱48,493,279**	**₱–**	**₱–**	**₱48,493,279**
HTM debt securities	**1.63% to 7.38%**	**16,431,772**	**6,000,000**	**45,709,762**	**68,141,534**
Total financial assets		**₱64,925,051**	**₱6,000,000**	**₱45,709,762**	**₱116,634,813**

December 31, 2012

	Range of Interest	Up to a year	2-3 years	Over 3 years	Total
Loans and receivable:					
Cash and cash equivalents	0.83% to 2.75%	₱24,422,354	₱–	₱–	₱24,422,354
HTM debt securities	4.88% to7.38%	13,351,000	–	40,008,182	53,359,182
Total financial assets		₱37,773,354	₱–	₱40,008,182	₱77,781,536

The Company is not exposed to significant interest rate risk since its debt instruments have fixed interest rate (cash flow interest rate risk) and is classified as HTM investments and are carried at amortized cost (fair value interest rate risk).

Price risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally AFS equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market, and careful and planned use of derivative instruments.

The analysis below is performed for reasonably possible movements in Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on OCI (that reflects adjustments on changes in fair value of AFS financial assets).

December 31, 2013

Market Indices	**Change in Variable**	**Impact on OCI**
PSEi	**+12.78%**	**₱2,948,466**
PSEi	**-12.78%**	**₱2,948,466**

December 31, 2012

Market Indices	Change in Variable	Impact on OCI
PSEi	+24.88%	₱4,541,169
PSEi	-24.88%	(₱4,541,169)

The reasonably possible movements in PSEi are based on the Company's stock composite index for the past three years.

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) parties owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individuals.

Compensation of key management personnel by benefit type follows:

	2013	2012
Short-term employee benefits	**₱7,950,000**	₱7,230,000
Post-employment benefits	**523,000**	605,000
	₱8,473,000	₱7,835,000

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

Salary loans to key management personnel included under the caption "Receivables from employees" amounted to ₱3.08 million and ₱3.37 million as of December 31, 2013 and 2012 (see Note 7).

<u>2013</u>

Category	**Amount of transaction for the whole year**	**Outstanding Balance**	**Terms**	**Conditions**
Receivable from employees	**₱1,306,771**	**₱3,084,600**	Interest bearing; due and demandable	Unsecured, no impairment

2012

Category	Amount of transaction for the whole year	Outstanding Balance	Terms	Conditions
Receivable from employees	₱1,350,000	₱3,370,878	Interest bearing; due and demandable	Unsecured, no impairment

25. Reconciliation of Net Income Under PFRS to Statutory Net Income

The reconciliation of net income under PFRS to statutory net income follows:

	2013	2012
PFRS net income	**₱13,187,338**	₱5,438,119
Adjustments for:		
Deferred acquisition costs – net	**(4,764,049)**	(1,781,518)
Change in IBNR	**–**	260,259
Difference in change in provision for unearned premiums-net	**(8,824,637)**	(4,177,559)
Tax effect of PFRS adjustments	**4,076,606**	1,709,645
Statutory net income	**₱3,675,258**	₱1,448,946

26. Lease Commitments

The Company is a lessee under noncancellable operating leases covering offices and service centers. The leases have terms ranging from one to three years, with renewal options and include annual escalation rate of 10%. The future minimum rentals payable under these noncancellable operating leases as of December 31, 2013 follow:

	2013	2012
Within one year	**₱353,896**	₱811,102
After one year but not more than five years	**–**	144,343
	₱353,896	₱955,445

Rent expense charged against operations amounted to ₱4.90 million and ₱4.29 million in 2013 and 2012, respectively (see Note 20).

27. Contingencies

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes these will not have a material effect on the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relative to these claims and other proceedings.

28. Notes to Cash Flow Statements

The Company's significant non-cash financing activities follow:

a) Issuance of shares via stock dividend amounting to ₱10.0 million in 2012.
b) Conversion of the DFSS to capital stock amounting to ₱14.2 million in 2012.
c) Issuance of 0.95 million shares in exchange for a parcel of land with a fair value of ₱95.5 million in 2013.

29. Supplementary Tax Information under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

VAT
The Company is a VAT-registered with VAT output tax declaration of ₱13,142,821 for the year based on the amount reflected in the Net premiums earned of ₱109,523,388.

The Company has no zero-rated and VAT exempt sales of goods and services in 2013.

The amount of input VAT taxes claimed is broken down as follows:

Balance at beginning of the year	₱–
Current year's purchases:	
Services lodged under other accounts	11,374,237
Input VAT applied to Output VAT	(11,374,237)
Claims for tax credit/refund and other adjustments	–
Balance at end of the year	**₱–**

The Company has no importation in 2013. The Company has no claims for tax credit/refund in 2013.

Documentary Stamp Tax (DST)
The DST paid/accrued on the following transaction is:

Transaction	Amount	DST
Policies of insurances	₱149,999,195	₱18,749,899
Issuance of shares	95,955,000	672,685
	₱245,954,195	₱19,422,584

Other Taxes and License Fees for 2013
This includes all other taxes, local and national, including real estate taxes, license and permit fees lodged under the 'General expenses' section in the statement of comprehensive income. Details consist of the following:

Local	
Real estate tax, licenses and fees	₱144,111
Business permit	133,988
Insurance commission-supervision and examination fee	135,000
Community tax	10,500
National	
Documentary stamp tax	672,685
VAT renewal fee	500
	₱1,096,784

Importations
The Company did not incur any excise tax in 2013.

Withholding Taxes
The amount of withholding taxes paid and accrued for the year amounted to:

Withholding taxes on compensation and benefits	₱4,571,298
Expanded withholding taxes	7,607,876
	₱12,179,174

Tax Contingencies
The Company has no Final Assessment Notice and/or Formal letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax. In addition, the Company has no pending tax case outside the administration