AFP GENERAL INSURANCE CORPORATION

(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AFP General Insurance Corporation
AFPGEN Bldg.
Col. Bonny Serrano Road corner EDSA
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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Material Uncertainty Related to Going Concern

Without modifying our opinion in respect of this matter, we draw attention to Note 1 of the financial statements which discloses that the Company incurred net loss amounting to P33.34 million and P52.79 million for the years ended December 31, 2018 and 2017, respectively, which resulted to accumulated deficit amounting to P34.13 million and P0.79 million as at December 31, 2018 and 2017, respectively. The Company has an adjusted net worth of P550.72 million as at December 31, 2017, based on the Insurance Commission's examination of the Company's 2017 financial statements. For the year ending December 31, 2019, the Company is required to comply with the minimum net worth requirement of P900 million. There is no commitment obtained yet from Armed Forces of the Philippines Mutual Benefit Association, Inc., its Parent Company, on the said net worth requirement.

As stated in Note 1, these events or conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company likewise discussed its plan to address the going concern issue in Note 1. We conducted sufficient audit procedures to verify the validity of the Company's plans.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 32 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. MKT 7333621
Issued January 3, 2019 at Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
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April 26, 2019
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
AFP General Insurance Corporation
AFPGEN Bldg.
Col. Bonny Serrano Road corner EDSA
Quezon City

We have audited the accompanying financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) (the Company) as at and for the year ended December 31, 2018, on which we have rendered our report dated April 26, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Vanessa P. Macamos

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April 26, 2019
Makati City, Metro Manila

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2018	2017
ASSETS			
Cash and cash equivalents	7	**P209,036,798**	P144,964,915
Short-term investments	8	**90,991,945**	7,488,450
Insurance receivables - net	9	**136,353,785**	150,246,154
Subscription receivable	27, 28	**47,250,000**	47,250,000
Available-for-sale (AFS) financial assets - net	10	**151,771,222**	320,458,312
Held-to-maturity (HTM) investments	11	**281,954,942**	248,381,421
Deferred reinsurance premiums	12	**14,020,808**	11,252,161
Deferred acquisition costs	13	**30,733,753**	32,934,217
Investment properties	14	**8,240,000**	4,944,000
Property and equipment - net	15	**19,324,738**	21,842,648
Retirement asset	25	**2,768,629**	483,958
Deferred tax assets - net	26	**33,789,107**	29,332,309
Other assets - net	16	**22,640,213**	19,365,562
Total Assets		**P1,048,875,940**	P1,038,944,107
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	17	**P110,028,892**	P125,511,797
Insurance payables	18	**15,971,840**	16,717,780
Accounts payable and accrued expenses	19	**123,582,784**	82,186,049
Income tax payable		**889,644**	721,900
Reserve for unearned premiums	20	**140,828,437**	130,393,190
Deferred reinsurance commissions	21	**2,875,683**	1,925,705
Total Liabilities		**394,177,280**	357,456,421
Equity			
Issued capital stock	28	**250,000,000**	250,000,000
Subscribed capital stock	28	**275,000,000**	275,000,000
Additional paid-in capital	28	**173,140,704**	173,140,704
Contributed surplus	5	**500,000**	500,000
Net unrealized loss on AFS financial assets	10	**(5,894,668)**	(11,511,814)
Remeasurement of retirement asset	25	**(3,918,520)**	(4,850,267)
Deficit	5	**(34,128,856)**	(790,937)
Total Equity		**654,698,660**	681,487,686
		P1,048,875,940	P1,038,944,107

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2018**	2017
UNDERWRITING INCOME			
Direct premiums written	*20*	**P249,403,370**	P229,588,862
Premiums assumed	*20*	**24,611,817**	30,172,712
Gross premiums		**274,015,187**	259,761,574
Premiums ceded	*12, 20*	**(34,250,513)**	(24,184,353)
Premiums retained	*20*	**239,764,674**	235,577,221
Net change in the reserve for unearned premiums - net of change in deferred reinsurance premiums	*20*	**(7,666,600)**	(34,223,866)
Net premiums earned	*20*	**232,098,074**	201,353,355
Reinsurance commissions earned	*21*	**6,142,534**	4,742,728
Other underwriting income		**-**	1,343,551
GROSS UNDERWRITING INCOME		**238,240,608**	207,439,634
UNDERWRITING EXPENSES			
Losses and claims - net	*22*	**93,956,946**	69,279,813
Commission expense	*13*	**51,120,792**	49,999,770
Other underwriting expenses	*22*	**19,612,210**	23,878,601
		164,689,948	143,158,184
NET UNDERWRITING INCOME		**73,550,660**	64,281,450
INVESTMENT AND OTHER INCOME (LOSS)	*23*	**(2,145,427)**	25,887,527
INCOME AFTER INVESTMENT AND OTHER INCOME (LOSS)		**71,405,233**	90,168,977
GENERAL AND ADMINISTRATIVE EXPENSES	*24*	**105,502,878**	151,188,488
LOSS BEFORE INCOME AND FINAL TAXES		**(34,097,645)**	(61,019,511)
TAXES			
Current income tax		**889,644**	721,900
Deferred income tax benefit		**(4,856,118)**	(10,688,392)
Final tax		**3,206,748**	1,740,999
	26	**(759,726)**	(8,225,493)
NET LOSS		**(P33,337,919)**	(P52,794,018)

Forward

		Years Ended December 31	
	Note	2018	2017
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss			
Net change in fair value of AFS financial assets	*10*	**P10,660,379**	P30,375,764
Net change in fair value of AFS financial assets transferred to profit or loss	*10*	**(5,043,233)**	11,584,443
	10	**5,617,146**	41,960,207
Item that will not be reclassified to profit or loss			
Remeasurement gain on retirement asset	*25*	**1,331,067**	1,281,356
Deferred tax	*26*	**(399,320)**	(384,407)
		931,747	896,949
OTHER COMPREHENSIVE INCOME		**6,548,893**	42,857,156
TOTAL COMPREHENSIVE LOSS		**(P26,789,026)**	(P9,936,862)

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Issued Capital Stock (Note 5, 28)	Subscribed Capital Stock (Note 5, 28)	Additional Paid-in Capital (Note 5, 28)	Contributed Surplus (Note 5)	Net Unrealized Loss on AFS Financial Assets (Note 10)	Remeasurement of Retirement Asset	Deficit (Note 5)	Total
Balance at January 1, 2017	P250,000,000	P -	P173,140,704	P500,000	(P53,472,021)	(P5,747,216)	P52,003,081	P416,424,548
Other comprehensive gain	-	-	-	-	41,960,207	-	-	41,960,207
Remeasurement gain	-	-	-	-	-	896,949	-	896,949
Net loss	-	-	-	-	-	-	(52,794,018)	(52,794,018)
Total comprehensive gain (loss)	-	-	-	-	41,960,207	896,949	(52,794,018)	(9,936,862)
Transaction with the Owner of the Company								
Subscribed capital stock	-	275,000,000	-	-	-	-	-	275,000,000
Balances at December 31, 2017	P250,000,000	P275,000,000	P173,140,704	P500,000	(P11,511,814)	(P4,850,267)	(P790,937)	P681,487,686
Other comprehensive gain	-	-	-	-	5,617,146	-	-	5,617,146
Remeasurement gain	-	-	-	-	-	931,747	-	931,747
Net loss	-	-	-	-	-	-	(33,337,919)	(33,337,919)
Total comprehensive gain (loss)	-	-	-	-	5,617,146	931,747	(33,337,919)	(26,789,026)
Balance at December 31, 2018	**P250,000,000**	**P275,000,000**	**P173,140,704**	**P500,000**	**(P5,894,668)**	**(P3,918,520)**	**(P34,128,856)**	**P654,698,660**

See Notes to the Financial Statements.

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LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(P34,097,645)**	(P61,019,511)
Adjustments for:			
Loss (gain) on sale of AFS financial assets	*23*	**31,595,398**	(1,448,419)
Interest income	*23*	**(16,265,475)**	(7,419,734)
Provision for incurred but not reported (IBNR) claims	*17*	**13,135,848**	25,552,034
Depreciation and amortization	*15, 24*	**4,308,284**	9,356,058
Gain on revaluation of investment property	*23*	**(3,296,000)**	-
Dividend income	*23*	**(2,738,669)**	(7,418,870)
Retirement expense	*25*	**2,452,703**	2,641,509
Impairment loss	*9, 10*	**1,373,988**	32,450,675
Foreign exchange gain	*23*	**(703,926)**	(34,839)
Amortization of premium (discount) on HTM investments	*11*	**426,479**	(235,359)
Gain on sale of investment property	*23*	**-**	(8,046,319)
Gain on sale of property and equipment	*23*	**-**	(112,164)
Changes in:			
Reserve for unearned premiums net of changes in deferred reinsurance premiums	*20*	**7,666,600**	34,223,866
Deferred acquisition costs	*13*	**2,200,464**	(10,467,105)
Deferred reinsurance commissions	*21*	**949,978**	(50,542)
Operating income before working capital changes		**7,008,027**	7,971,280
Decrease (increase) in:			
Insurance receivables		**3,033,696**	(39,863,375)
Other assets		**(3,178,164)**	1,882,742
Increase (decrease) in:			
Accounts payable and accrued expenses		**41,396,735**	42,379,277
Provision for claims reported		**(28,618,753)**	(24,534,580)
Insurance payables		**(745,940)**	6,104,887
Net cash provided by (used in) operations		**18,895,601**	(6,059,769)
Income taxes paid		**(3,928,648)**	(1,740,999)
Contributions paid	*25*	**(3,406,307)**	(2,733,249)
Net cash provided by (used in) operating activities		**11,560,646**	(10,534,017)

Forward

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**P14,911,858**	P6,405,231
Dividends received		**3,995,799**	6,161,740
Acquisitions of:			
Short-term investment		**(83,503,495)**	(7,488,450)
AFS financial assets and HTM investments	*10, 11*	**(46,596,470)**	(300,474,750)
Property and equipment	*15*	**(1,790,374)**	(6,313,609)
Proceeds from sale of:			
AFS financial assets		**164,789,993**	164,111,786
Investment properties		**-**	24,391,319
Property and equipment	*15*	**-**	832,397
Net cash provided by (used in) investing activities		**51,807,311**	(112,374,336)
CASH FLOWS FROM A FINANCING ACTIVITY			
Proceeds from subscribed capital	*5, 28*	**-**	227,750,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**63,367,957**	104,841,647
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**703,926**	34,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**144,964,915**	40,088,429
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P209,036,798**	P144,964,915

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

AFP General Insurance Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 22, 1979. The Company is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of non-life insurance authorized by law.

Certificate of Authority (CA) No. 2016/69-R was granted to the Company by the Philippine Insurance Commission (IC) to transact in non-life insurance (fire, marine, casualty and surety) business until December 31, 2018. The IC approved the renewal of the Company's license with CA No. 2019/23-R, valid until December 31, 2021.

On January 1, 2018, the Company was granted a Certificate of Accreditation and Authority to issue Compulsory Insurance Coverage for Agency-Hired Overseas Filipino Workers (OFW) valid until December 31, 2018. As of date, the Company is awaiting approval for the renewal of its accreditation from IC.

The Company is a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association Inc. (AFPMBAI), a non-stock corporation registered in the Philippines.

The Company's principal and registered office is located at AFPGEN Bldg. Col. Bonny Serrano Road, corner EDSA, Quezon City.

<u>Status of Operations</u>
The Company incurred net loss amounting to P33.34 million and P52.79 million for the years ended December 31, 2018 and 2017, respectively, which resulted to accumulated deficit amounting to P34.13 million and P0.79 million as at December 31, 2018 and 2017, respectively.

As required by Section 194 of the Amended Insurance Code (Republic Act 10607), existing insurance companies shall maintain a minimum net worth of P550.00 million, P900.00 million, and P1.30 billion as at December 31, 2016, 2019, and 2022, respectively. As at December 31, 2018 and 2017, the Company's net worth amounted to P654.70 million and P681.49 million, respectively. The amount of net worth as at December 31, 2018 may be further adjusted based on the results of the annual examination of the IC which will be conducted during the next twelve months from the audit report date. As at December 31, 2017, the Company's adjusted net worth, based on the IC's examination of the Company's 2017 financial statements conducted during 2018, amounted to P550.72 million compared to the net worth as at December 31, 2017 amounting to P681.49 million.

Management had sought financial support from AFPMBAI, to ensure the Company's compliance with the minimum net worth requirement amounting to P550 million as at December 31, 2018, after the 2019 IC examination of the Company's 2018 financial statements.

In addition, management believes that the following plans and strategies will ensure the Company's compliance with the minimum net worth requirement as at December 31, 2019 amounting to P900 million: (a) continuous implementation of its five year business plan; (b) negotiate with potential investors; (c) business partnership with other non-life insurance companies; or (d) convert its license to a servicing insurance company, in the event that the results of the aforementioned plans and strategies will not be sufficient to address compliance with the minimum net worth requirement.

The financial statements have been prepared on the assumption that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

2. Basis of Preparation

Statement of Compliance

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2018 were authorized for issue by the Board of Directors (BOD) on April 26, 2019.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement Bases
Available-for-sale (AFS) financial assets and investment properties	Fair value unless not measured reliably
Retirement asset	Fair value of plan assets (FVPA) less present value of the defined benefit obligation (PVBO)

Functional and Presentation Currency

The financial statements are presented in Philippine peso which is the Company's functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

The maturity profile of the Company's assets and liabilities is presented in Note 30.

Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 to the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the financial statements, except for the changes in accounting policies as explained below.

Adoption of New Standard, Amendments to Standard and Interpretation

The Company has adopted the following new standard, amendments to standard, and interpretation starting January 1, 2018. The adoption of these new standard, amendments to standard, and interpretation did not have any significant impact on the Company's financial statements.

- *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts (Amendments to PFRS 4).* The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PRFS 9 in 2018 and continue to apply PAS 39, *Financial Instruments: Recognition and Measurement* if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2022.

The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income (OCI) the difference between the amounts recognized in profit or loss under PFRS 9, and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

As permitted by the standard, the Company availed of the temporary exemption and deferred the application of PFRS 9 to January 1, 2022.

- *PFRS 15, Revenue from Contracts with Customers replaces PAS 11, Construction Contracts, PAS 18, Revenue, International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers* and *Standards Interpretation Committee (SIC)*-31 *Revenue - Barter Transactions Involving Advertising Services.*

  The new standard introduces a new and more comprehensive revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

  The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The adoption of PFRS 15 did not result to any changes in the performance obligation and the timing of revenue recognition of the Company's non-insurance revenue streams. Thus, the impact of the adoption to the financial statements of the Company is immaterial.

- Transfers of Investment Property (Amendments to PAS 40, *Investment Property*) amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Insurance Contract

Insurance contract is an agreement whereby one party, called the insurer, undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Classification of Insurance and Investment Contracts

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is at least 10.00% more than the benefits payable if the insured event did not occur. Insurance contracts can also expose the insurer to financial risks. 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 have expired.

Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Gross Premium on Insurance Contracts

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

Commission Expense and Deferred Acquisition Costs

Commissions are recognized as expense over the period of the contracts using the 24^{th} 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 costs" in the assets section of the statements of financial position. The net changes in deferred acquisition costs at the end of each reporting period are recognized as "Commission expense" in the statements of comprehensive income.

Commissions and other acquisition costs incurred during the financial periods that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

An impairment review is performed at the end of each reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

Deferred acquisition costs are derecognized when the related contracts are settled or disposed of.

Reinsurance

The Company cedes insurance risk in the normal course of business.

Ceded reinsurance arrangements do not relieve the Company from its obligation to the policy holders.

The Company also assumes reinsurance risk in the normal course of business. 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 assumed business. Insurance payables represent balances due to reinsurers and funds held for reinsurers. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsurance contract.

Gains and losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

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

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

Reinsurance Contracts Held

Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The benefits unpaid recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance recoverable on unpaid losses classified under "Insurance receivables – net" account in the statements of financial position. Reinsurance recoverable on unpaid losses are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

Commission Income and Deferred Reinsurance Commissions
Commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" in the statements of financial position. The net changes in deferred reinsurance commissions between each end of reporting period are recognized as "Reinsurance commission earned" in the statements of comprehensive income.

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

Provision for Claims Reported
Liabilities for unpaid claims and losses and claim adjustment expenses relating to insurance contracts are accrued when insured events occur and are recognized as part of "Insurance contract liabilities" account in the statements of financial position. The liability is derecognized when the contract is discharged or cancelled.

The liabilities for claims are based on the estimated ultimate cost of settling the claims. The method of determining the expected ultimate cost of claims reported at reporting date are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and difference between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in profit or loss in the period the recoveries are determined. Recoverable amounts from reinsurers are presented as part of "Insurance receivables - net" account in the statements of financial position.

Incurred but Not Reported Claims
Incurred but not reported (IBNR) claims is based on the estimated ultimate cost of all claims incurred but not reported at the end of the reporting period and recognized as part of "Insurance contract liabilities" account in the statements of financial position. Delays can be experienced in the notification and settlement of certain types of claims, therefore, it is the ultimate cost of which cannot be known with certainty at the end of the reporting period. This liability is not discounted for the time value of money. The liability is derecognized when the contract is discharged, cancelled or has expired.

Reserve 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 and accounted for as "Reserve for unearned premiums" in the statements of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. "Net change in the reserve for unearned premiums - net of change in deferred reinsurance premiums" account is taken to statements of comprehensive income in order that revenue is recognized over the period of risk.

The related reinsurance premium ceded that pertains to the unexpired periods at end of the reporting period are accounted for as "Deferred reinsurance premiums" account in the statements of financial position. The net changes in deferred reinsurance premiums between each end of reporting period are recognized as part of "Net change in the reserve for unearned premiums - net of change in deferred reinsurance premiums" account in the statements of comprehensive income.

Liability Adequacy Test
At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. 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 arising from the test is immediately charged in profit or loss by establishing an unexpired risk provision for losses.

Losses and Claims - net
Underwriting expenses consist of benefits and claims paid to policyholders, and changes in the valuation of insurance contract liabilities, except for changes in the reserve for unearned premiums. 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.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. 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
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS financial assets. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. The management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments issued by the Company are classified as liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, realized and unrealized gains and losses from financial instruments or a component considered as a financial liability are recognized in the statements of comprehensive income. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus, charged directly to equity.

As at December 31, 2018 and 2017, the Company has no financial assets and financial liabilities at FVPL.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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 designated as financial assets at FVPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral part of the effective interest rate (EIR). Loans and receivables that are perpetual and that have either a fixed or a market-based variable rate of interest are measured at cost.

Any interest earned on loans and receivables is recognized in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Included in this category are: (a) cash in banks and cash equivalents; (b) short-term investments; (c) insurance receivables; (d) subscription receivable; (e) employee receivables; (f) accrued interest receivable; (g) dividend receivable; and (h) security deposits under "Other assets" account.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and are subject to an insignificant risk of changes in value which includes short-term time deposits.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. These financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include equity securities.

Subsequent to initial recognition, AFS financial assets are measured at fair value. Fair value changes are recognized in OCI. Interest income is recognized under the effective interest method, with the EIR being calculated on the instrument's initial recognition. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Impairment losses and foreign exchange gains and losses on AFS debt instruments are recognized in profit or loss as they arise.

When the relevant asset is derecognized, on sale or other disposal, or is impaired, the cumulative fair value changes recognized in OCI are reclassified from equity to profit or loss. For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

As at December 31, 2018 and 2017, the Company's quoted and unquoted equity securities are classified under this category (see Note 10).

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and maturities for which management has the positive intention and ability to hold to maturity. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included as part of "Interest income" lodged in "Investment and other income (loss)" account in the statements of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is also recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. The Company would then be unable to categorize financial instruments HTM investments for the next two (2) years in the financial statements.

As at December 31, 2018 and 2017, the HTM investments comprise of government and corporate debt securities (see Note 11).

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Included in this category are: (1) claims payable under "Insurance contract liabilities"; (2) insurance payables; and (3) accounts payable and accrued expenses excluding government payables.

Fair Value Measurement
Determination of 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 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 principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

- Level 1: Fair value measured using unadjusted quoted prices in active market for identical assets or liabilities.
- Level 2: Fair value measured using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

"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" difference) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, 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" difference.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

- the Company has transferred its right to receive cash flows from the asset and either has:

  (a) transferred substantially all the risks and rewards of the asset; or

  (b) neither transferred nor retained substantially the risks and rewards of the financial asset but has transferred the control of the financial asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset but transferred control of the asset, the Company continues to recognize the asset to the extent of the Company's continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be acquired to pay.

Financial Liabilities

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. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is an objective evidence that a financial asset or group of financial assets may be impaired.

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

Loans and Receivables

For loans and receivables carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that a borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If an asset has a variable rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. For collective impairment purposes, impairment losses are computed based on their respective default and historical loss experience.

The carrying amount of the loans and receivables shall be reduced either directly or through the use of an allowance account. The impairment losses for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment losses is recognized in profit or loss, to the extent that the carrying amount of the loans and receivables does not exceed its amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

AFS Financial Assets Carried at Fair Value
In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is an objective evidence of impairment, the cumulative loss lodged under equity, measured as the difference between the acquisition cost and the current fair value, less any allowance for impairment previously recognized in OCI, is transferred to profit or loss. Impairment loss on equity securities is not reversed through profit or loss but directly to equity as part of OCI.

The Company treats "significant" generally as 20% or more and "prolonged" as greater than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

AFS Financial Assets Carried at Cost
If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 security.

HTM Investments
The Company assesses at each reporting date whether there is any objective evidence that its HTM investments are impaired. Objective evidence that a financial asset is impaired includes observable data that come to the attention of the holder of the asset about the following loss events:

a. significant financial difficulty of the issuer or obligor;

b. breach of contract, such as a default or delinquency in interest or principal payments;

c. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

Investment Properties

Properties held for long-term rental yields or for capital appreciation or for both, is classified as investment properties. These properties are initially measured at acquisition cost, which include transaction costs, but exclude day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Subsequent to initial recognition, investment properties are stated at fair value which reflect the market conditions at the end of reporting date. Any gain or loss resulting from change in the fair value is immediately recognized in profit or loss. The fair value of investment properties are based on property appraisal reports determined by appraisers on the basis of market value approach.

Expenditures incurred after the investment properties have put into operations, such as repairs and maintenance costs, are charged to operations in the year in which the costs are incurred.

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

Investment properties are derecognized when these have been disposed of or when permanently withdrawn from use and no future benefit is expected from the disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Property and Equipment

Initially, an item of property and equipment is measured at cost less accumulated depreciation and any impairment in value. The initial cost of an item of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are charged to profit or loss in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

	Number of Years
Building and improvements	30
Furniture, fixtures and office equipment	5
Electronic data processing (EDP) equipment	5
Transportation equipment	5
Leasehold improvement	3 or lease term, whichever is shorter

The depreciation and amortization method and useful lives for items of property and equipment are reviewed and adjusted, if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Fully depreciated assets are retained in the accounts until they are no longer in use, at which time, the cost and the related accumulated depreciation and amortization are written off.

Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. These include: (a) centennial notes; (b) creditable withholding tax (CWT); and (c) prepayments (see Note 16).

Creditable Withholding Taxes

CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. CWT is initially recorded at cost under "Other assets" account in the statements of financial position.

At each end of the tax reporting deadline, CWT may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If CWT is claimed as a refund, these will be recorded in the statements of financial position.

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

Determination of Fair Value of Nonfinancial Assets

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.

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

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

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of future cash flows expected to be derived from an asset. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment loss is 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 loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not 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. After such a 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.

Equity

Issued Capital Stock

Capital stock is composed of common shares, determined using the par value of shares that have been issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Subscribed Capital Stock

Any increase in authorized capital stock which are later subscribed but not yet paid in full by the owners of the Company are presented as subscribed capital stock. Capital stock shall only be issued upon full payment of the whole subscription and is measured at par value. The unpaid portion of the subscribed capital stock is presented as subscription receivable.

Additional Paid-in Capital

Additional paid-in capital (APIC) represents any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of share are deducted from APIC. In the event that the APIC balance is exhausted as a result of redemption, the retained earnings account is reduced by redemptions in excess of par value.

Contributed Surplus
Contributed surplus represents the original contribution of the stockholder of the Company, in addition to the APIC, in order to comply with the pre-licensing requirements as provided under the Insurance Code which is carried at cost.

Net Unrealized Loss on AFS Financial assets
The net unrealized loss on AFS financial assets comprises accumulated gains and losses arising from the revaluation of AFS financial assets.

Remeasurement of Retirement Asset
This pertains to the cumulative amount of remeasurement of retirement asset arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the retirement fund.

Deficit
Deficit include all current and prior period results of operations including prior period adjustments and effects of changes in accounting policies.

Dividend distribution to the Company's shareholder is recognized in the year in which the dividends are approved by the Company's BOD. The Company intends to declare dividends subject to availability of retained earnings and operational requirements.

Revenue Recognition
The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The Company's revenue streams arising from insurance contracts falls under PFRS 4, while interest income falls under PAS 39 and other income under PFRS 15 (except for gain on sale of AFS financial assets which falls under PAS 39).

The following specific criteria must also be met before revenue is recognized:

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Underwriting Income
This account pertains to income recognized in excess to obligation to be settled in related to the ceded premium from reinsurance business. Other underwriting income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Other Income
Other Income includes gains on sale of investment property, AFS financial assets, and property and equipment, dividend income, rent income, among others, which is recognized at point in time and is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty, or as declared in the case of dividend.

Expense Recognition
Costs and expenses are recognized in profit or loss when a decrease in an asset or an increase in future economic benefits related to a decrease in asset or an increase in a liability has arisen that can be measured reliably.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, excluding termination benefits. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Company's net pension obligation is the aggregate of the present value of the defined benefit obligation (DBO) less fair value of plan assets at the end of the reporting period, adjusted for any effect of limiting a net defined benefit retirement asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The calculation of the net pension obligation is performed annually by a qualified actuary using the projected unit credit method.

Retirement costs comprise of current service cost, net interest cost and remeasurements of the net pension obligation/asset.

Net interest cost on the net pension obligation is determined by applying the discount rate based on the government bonds at the beginning of the annual period to the net pension obligation, taking into account any changes in the net pension obligation during the period as a result of contributions and benefit payments. Net interest cost is recognized in profit or loss.

Remeasurements of the net pension obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods but are closed in equity every reporting period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting net pension obligation 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 net pension obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Company recognizes gains and losses on the settlement of a DBO when the settlement occurs.

Leases

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the 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.

Operating Lease

Company as a Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as rent expense in profit or loss on a straight-line basis over the lease term.

Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Income Taxes

Income tax expense comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or OCI, respectively.

Current Tax

Current tax is either regular corporate income tax (RCIT) or minimum corporate income tax (MCIT) whichever is higher. Corporate income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

RCIT is computed based on 30.00% of taxable income from all sources within and outside the Philippines, while MCIT shall be imposed whenever the Company has a zero or negative taxable net income or whenever the amount of MCIT is greater than the RCIT.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except:

- Where the deferred tax asset (DTA) relating to the deductible temporary difference arises 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 profit nor taxable profit or loss;

- With respect to deductible temporary differences associated with investment in an associate, DTA is recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized;

- Where the deferred tax liability (DTL) arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and

- With respect to taxable temporary differences associated with investment in an associate where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted at the reporting date. DTAs and DTLs are offset, if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The carrying amount of DTA is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized DTAs are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the DTA to be recovered.

Final Tax
Interest income from cash in banks, debt securities and funds held by ceding companies, which is subject to final withholding tax, is presented at gross amounts, while taxes paid or withheld are recognized as final tax under "Taxes" account in the statements of comprehensive income.

Value-added Tax
Revenues, expenses and assets are recognized net of the amount of value-added tax (VAT), except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation 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 taxation authority is included as part of receivables or payables in the statements of financial position.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at reporting date; income and expenses are translated using the average rate for the year. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Provisions

Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

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

New Standards, Amendments to Standards and Interpretation Issued but Not Yet Adopted

A number of new and amended standards and interpretation and framework are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following new and amended standards and interpretation and framework in preparing these financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the Company's financial statements.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019 with several transition approaches and individual options and practical expedients that can be elected independently of each other. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

  The Company has performed an initial assessment on the potential impact of PFRS 16 on the financial statements. The Company intends to elect the modified transition option in applying PFRS 16. The Company will recognize assets and liabilities from operating lease on office premises. The nature of expenses related to this lease will change under PFRS 16 since the mentioned standard replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Based on the initial assessment performed, the Company does not expect the adoption of the new standard to have a significant effect on the financial statements.

- *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

The Company is currently assessing the potential impact of IFRIC 23 and plans to adopt this interpretation on the required effective date.

- Prepayment Features with Negative Compensation (Amendments to PFRS 9). The amendments cover the following areas:

  - Prepayment features with negative compensation. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through OCI irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs; and

  - Modification of financial liabilities. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

    If the initial application of PFRS 9 results in change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

  The Company availed of the temporary exemption on the implementation of PFRS 9 as allowed by PFRS 4.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in OCI.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

The Company is currently assessing the potential impact of the amendments to PAS 19 and plans to adopt this interpretation on the required effective date.

- Annual Improvements to PFRSs 2015 - 2017 Cycle. This cycle of improvements contains amendments including:

    - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, OCI or equity.

      The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

      The Company is currently assessing the potential impact of the amendments to PAS 12 and plans to adopt this interpretation on the required effective date.

Effective January 1, 2020

- Amendments to References to Conceptual Framework in PFRS Standards sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

  The 2018 Conceptual Framework includes:

    - a new chapter on measurement;
    - guidance on reporting financial performance;
    - improved definitions of an asset and a liability, and guidance supporting these definitions; and
    - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Effective January 1, 2022

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including the new forward-looking expected credit loss model for calculating the impairments, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

Effective January 1, 2023

- PFRS 17, *Insurance Contracts*. This replaces the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

(b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

(c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in OCI.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 on or before the date of initial application of PFRS 17.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts in the financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from estimates.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

(a) *Ability to Continue as a Going Concern*

The Company incurred net loss amounting to P33.34 million and P52.79 million for the years ended December 31, 2018 and 2017, respectively, which resulted to accumulated deficit amounting to P34.13 million and P0.79 million as at December 31, 2018 and 2017, respectively.

As at December 31, 2018 and 2017, the Company's net worth amounted to P654.70 million and P681.49 million, respectively. The amount of net worth as at December 31, 2018 may be further adjusted based on the results of the annual examination of the IC which will be conducted during the next twelve months from the audit report date. As at December 31, 2017, the Company's adjusted net worth, based on the IC's examination of the Company's 2017 financial statements conducted during 2018, amounted to P550.72 million compared to the net worth as at December 31, 2017 amounting to P681.49 million.

Management rendered its judgment in assuming that the financial and operational support of AFPMBAI would be sufficient to allow the Company to continue as a going concern. Management also believes that its future business plans as discussed in Note 1 to the financial statements will enable the Company to comply with the IC's minimum net worth requirement as at December 31, 2019.

The financial statements have been prepared on the assumption that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

(b) *Classification of Financial Assets and Liabilities*

The Company determines the classification at initial recognition and re-evaluates this classification at every financial year-end. The classifications of the various financial assets and financial liabilities of the Company are disclosed in Note 3 to the financial statements.

(c) *Determination of Fair Value of Investment Properties*

At initial recognition, the Company determines the fair value of acquired properties through an externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses from the changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

(d) *Determining Lease Classification*

The Company as a Lessee

The Company has entered into a lease agreement on its properties which it considers as operating lease.

The Company has determined, based on the evaluation of the terms and conditions of the lease agreements, that all the significant risks and rewards of ownership of these properties are retained by the Company. The contracts of lease are considered as operating leases by the Company since these do not transfer substantially all the risks and rewards incidental to ownership.

(e) *Determining Fair Value of Unquoted Financial Assets*
Where the fair values of financial assets recorded in the statements 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 Company uses judgment to select from variety of valuation models and makes assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

(f) *Impairment of AFS Financial Assets*
The Company treats AFS equity securities as 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. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than six (6) months.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) *Claims Liability Arising from Insurance Contracts*
Estimates have to be made for the expected ultimate costs of claims reported at the reporting date. It can take a significant period of time before the ultimate costs of claims can be established with certainty. The primary technique adopted by management in estimating the cost of notified claims is that of using past claims settlement trends to predict future claims settlement. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance claims provisions are not discounted for the time value of money.

The main assumption underlying the estimation of the insurance claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate costs of claims. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or projected separately in order to reflect their future development.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (i.e., to reflect one-off occurrences, changes in external or market factors such as public's attitude to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

As at December 31, 2018 and 2017, provision for claims reported amounted to P68.34 million and P96.96 million, respectively (see Note 17).

(b) *Estimating IBNR Claims*

Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate cost of claims can be established with certainty.

The Company adopted valuation techniques in estimating the ultimate cost of IBNR claims to predict the future claims settlement as follows:

- Chain ladder method based on both claims paid and claims incurred;
- Bornhuetter-Ferguson method based on both claims paid and claims incurred; and
- Expected loss ratio.

The primary technique adopted by the Company is the expected loss ratio. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision for claims reported and IBNR claims. Insurance contract liabilities are not discounted for the time value of money.

The Company uses expected loss ratio including one-off and large claims. This actuarial projection technique is acceptable based on IC Circular Letter (CL) No. 2018-18, *Valuation Standards for Non-life Insurance Policy Reserves.*

As at December 31, 2018 and 2017, the carrying values of provision for IBNR claims amounted to P41.69 million and P28.56 million, respectively (see Note 17).

(c) *Impairment of Financial Assets*

(i) *Estimation of Allowance for Impairment Losses of Receivables*

The Company maintains the allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of percentage of collectability of the accounts.

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

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 impairment losses would increase recorded expenses and decrease net income.

Impairment losses on insurance receivables amounted to P49.08 million and P39.03 million as at December 31, 2018 and 2017, respectively (see Note 9).

As at December 31, 2018 and 2017, the carrying amount of insurance receivables amounted to P136.35 million and P150.25 million, respectively (see Note 9).

(ii) *Estimation of Allowance for Impairment Losses of AFS Financial Assets*
The Company carries AFS financial assets at fair value, which requires the use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of AFS financial assets would affect OCI.

The Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Company recognized impairment loss on AFS financial assets amounting to nil and P9.48 million in 2018 and 2017, respectively (see Note 10).

As at December 31, 2018 and 2017, the carrying amount of AFS financial assets amounted to P151.77 million and P320.46 million, respectively (see Note 10).

(d) *Impairment of Nonfinancial Assets*
The Company assesses impairment on investment properties and property and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets 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 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 amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

In 2018 and 2017, no impairment loss was recognized for the Company's nonfinancial assets. The carrying values as at December 31, 2018 and 2017 follows:

	Note	**2018**	2017
Investment properties	*14*	**P8,240,000**	P4,944,000
Property and equipment - net	*15*	**19,324,738**	21,842,648
		P27,564,738	P26,786,648

(e) Realizability of Deferred Tax Assets

Deferred tax assets are recognized for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses 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 to determine the amount of deferred tax assets that can be recognized. 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 deferred tax assets will be realized.

As at December 31, 2018, management believes that it is not probable that sufficient future taxable income will be available for which the Company can utilize the benefits of its deferred tax assets on MCIT and NOLCO. The unrecognized DTA on net operating loss carry-over (NOLCO) and MCIT are disclosed in Note 26.

(f) Present Value of DBO

The determination of net pension obligation is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Company's assumptions are recognized immediately as OCI in the statements of comprehensive income.

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 net pension obligation.

As at December 31, 2018 and 2017, the Company's retirement asset amounted to P2.77 million and P0.48 million, respectively (see Note 25).

(g) Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of claims have been developed in consultation and with the aid of legal counsels handling the Company's defense in these matters and based upon an analysis of potential results. Management does not believe that the outcome of these proceedings will have a material adverse effect on the Company's financial position. It is probable, however, that the future results of operations could be materially affected by changes in or by the effectiveness of the strategies relating to these proceedings.

As at December 31, 2018 and 2017, the reserve for contingencies amounted to P10.54 million (see Notes 19 and 31).

5. Management of Capital, Insurance and Financial Risks

Governance Framework

The Company is exposed to insurance risk and a variety of financial risks which results from its operating and investing activities. The Company's risk management involves the close cooperation of the Company's BOD in developing policies on insurance, credit, liquidity, and market risks, as more fully described below.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management system in place.

The Company has established risk management function with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed. Lastly, a Company policy framework which sets out the risk appetite of the Company's operations has been put in place. Each committee has a member of senior management which is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company risk management policies and meets regularly to approve any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing its 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 acceptable levels of risk.

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., net worth requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Net Worth Requirements

Under the Amended Insurance Code (Republic Act No. 10607) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

Net Worth	Compliance Date
P250,000,000	On or before June 30, 2013
550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2022

As at December 31, 2018, the Company has complied with the net worth requirements, based on internal calculations. As at December 31, 2017, the Company's net worth amounted to P550.72 million compliant with the net worth requirement based on the examination of the IC.

The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC, especially as to the admitted and non-admitted assets, as defined under the Insurance Code.

RBC2 Requirements
IC Circular No. 2016-68, Amended RBC2 Framework, provides for the RBC2 framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to the risks an insurance company is exposed to. Every non-life insurance company is annually required to maintain an RBC2 ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC2 ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be calculated as total available capital (TAC) divided by the RBC2 requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits determined by IC. With Tier 1 Capital being the capital fully available to cover losses at all times on a going concern and winding up basis. And Tier 2 Capital as the capital that can also provide additional buffer to the insurance company, though it is not of the same high quality as Tier 1 Capital.

The final RBC2 ratio can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets, as defined under the Insurance Code.

As at December 31, 2018, the Company has complied with RBC2 requirements based on their internal computation.

As at December 31, 2017, the Company has complied with RBC2 requirements based on examination of the IC.

New Regulatory Requirements
On June 10, 2015, the IC issued CL No. 2015-31 which seeks to discuss the transition period and full implementation details for the new regulatory requirements, specifically for Financial Reporting Framework (FRF), Valuation on Non-life Insurance Policy Reserves, and Risk Based Capital Quantitative Impact Study (RBC 2-QIS). The new regulatory requirements shall take effect after the transition period, the purpose of which is to allow the insurance industry to assess the collective impact of implementing FRF, reserving, and RBC 2-QIS simultaneously. These will also give the IC an opportunity to engage the industry in a meaningful dialogue and obtain feedback prior to the full implementation date on June 30, 2016.

IC CL No. 2015-29 provides that FRF includes the economic valuation of assets and liabilities based on internally accepted accounting, actuarial and insurance core principles. It will be used on the statutory quarterly and annual reporting for net worth requirements as approved by IC.

IC CL No. 2015-32 provides that the reserves for a non-life insurance policy shall be composed of Premiums liability and Losses and claims payable determined using best estimate assumptions, and appropriate margin for adverse deviation for expected future experience. This new valuation standard is intended to cover both direct and assumed reinsurance business, whether treaty or facultative, of non-life insurance companies.

As at December 31, 2018 and 2017, the Company has complied with the new valuation standard requirements of IC (see Note 17).

Capital Management Framework

The Company has developed an internal risk management framework for identifying risks to which the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risks applied to a number of tests (both financial and non-financial) on the capital position of the business.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and

- to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals.

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 IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact of surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels.

The IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing the affairs for policyholders' benefits.

There were no changes made to its capital base, objectives, policies and processes from previous years.

The Company's unimpaired capital as at December 31 follows:

	2018	2017
Issued capital stock	**P250,000,000**	P250,000,000
Subscribed capital stock	**275,000,000**	275,000,000
Additional paid-in capital	**173,140,704**	173,140,704
	P698,140,704	P698,140,704

As at December 31, 2018 and 2017, the Company have subscribed capital stock amounting to a total of P275.00 million. This represents AFPMBAI's capital subscription amounting to P275.00 million to assist the Company to comply with the 2016 net worth requirement. AFPMBAI has initially paid P227.75 million of the amount subscribed. The remaining P47.25 million pertains to the Company's subscription receivable which is still outstanding as to date.

The risks and ways on how the Company manages insurance and financial risks are set out below:

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 following tables set out the concentration of the claims liabilities by type of contract:

	2018		
	Gross Claims Liabilities	**Reinsurer's Share of Claims Liabilities**	**Net Claims Liabilities**
Fire	**P17,719,614**	**P7,537,162**	**P10,182,452**
Motor car	**37,125,921**	**2,256,576**	**34,869,345**
Bonds	**18,862,768**	**550,440**	**18,312,328**
Miscellaneous	**36,320,589**	**2,816,279**	**33,504,310**
	P110,028,892	**P13,160,457**	**P96,868,435**

	2017		
	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net Claims Liabilities
Fire	P65,181,651	P49,171,875	P16,009,776
Motor car	30,172,967	650,060	29,522,907
Bonds	19,475,153	965,144	18,510,009
Miscellaneous	10,682,026	950,000	9,732,026
	P125,511,797	P51,737,079	P73,774,718

For general insurance contracts, the most significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of the risk insured by the Company and types of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's premium retained.

The majority of reinsurance business ceded is placed on a surplus basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

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

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

For general insurance contracts, claims provisions (comprising of provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of selling 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.

The measurement process primarily includes projection of future claim costs through a statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, larger claims are separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Key Assumptions
The principal assumptions underlying the estimates made by the Company depend on the past claims experience and industry levels. These include assumptions in respect to average claims costs, inflation factor, claim number for each accident year and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis
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, among others is not possible to quantify.

Claims Development Table

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimate at the accident year were based from adjusters' report who handle major accounts of the Company, usually for fire and marine claims. Other estimates are based on reasonable approximation after doing thorough evaluation of reported claims. Adjustments to actual claims versus the loss reserves are made in the year the ultimate cost of claim becomes more certain. Reserves are either released or increased depending on the amount.

In accordance with the claims development methodology described earlier, the Company has come out with the following claims development table:

	Gross Insurance Contract Liabilities for 2018					
Accident Year	**2014 and Prior Years**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claims costs at the end of accident year	P285,884,781	P148,821,587	P110,646,838	P68,919,567	P88,430,494	P88,430,494
One year later	64,506,330	12,054,150	75,099,530	64,706,639	-	64,706,639
Two years later	670,934	1,636,526	53,860,010	-	-	53,860,010
Three years later	273,278	712,674	-	-	-	712,674
Four years later	31,609,133	-	-	-	-	31,609,133
Current estimate of cumulative claims	31,609,133	712,674	53,860,010	64,706,639	88,430,494	239,318,950
Cumulative payments to date	(2,274,420)	(7,000)	(51,962,650)	(28,858,039)	(46,187,949)	(129,290,058)
Net Liability Recognized in the Statements of Financial Position	**P29,334,712**	**P705,674**	**P1,897,360**	**P35,848,600**	**P42,242,545**	**P110,028,892**

	Gross Insurance Contract Liabilities for 2017					
Accident Year	2013 and Prior Years	2014	2015	2016	2017	Total
Estimate of ultimate claims costs at the end of accident year	P210,262,596	P286,884,781	P148,821,587	P110,646,838	P68,919,567	P68,919,567
One year later	201,274,215	64,506,330	12,054,150	75,099,530	-	75,099,530
Two years later	95,281,720	670,934	1,636,526	-	-	1,636,526
Three years later	37,582,512	273,278	-	-	-	273,278
Four years later	39,479,087	-	-	-	-	39,479,087
Current estimate of cumulative claims	39,479,087	273,278	1,636,526	75,099,530	68,919,567	185,407,988
Cumulative payments to date	(7,406,515)	-	(261,931)	(22,006,427)	(30,221,318)	(59,896,191)
Net Liability Recognized in the Statements of Financial Position	P32,072,572	P273,278	P1,374,595	P53,093,103	P38,698,249	P125,511,797

Provision for claims reported amounted to P68.34 million and P96.96 million and provision for IBNR claims of P41.69 million and P28.56 million as at December 31, 2018 and 2017, respectively. Recoveries from reinsurers amounted to P13.16 million for 2018 and P51.74 million for 2017. Hence, net provision for claims as at December 31, 2018 and 2017 amounted to P96.87 million and P73.77 million, respectively (see Note 17).

Details of the net loss presented in the following tables reflect the cumulative incurred claims, including both claims notified and IBNR, for each successive accident year at each reporting date, together with the cumulative payments to date.

	Net Insurance Contract Liabilities for 2018					
Accident Year	**2014 and Prior Years**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claims costs at the end of accident year	P286,884,781	P148,821,587	P110,646,838	P68,919,567	P79,529,297	P79,529,297
One year later	64,506,330	12,054,150	75,099,530	64,263,810	-	64,263,810
Two years later	670,934	1,636,526	53,314,698	-	-	53,314,698
Three years later	273,278	702,244	-	-	-	702,244
Four years later	27,875,047	-	-	-	-	27,875,047
Current estimate of cumulative claims	27,875,047	702,244	53,314,698	64,263,810	79,529,297	225,685,096
Cumulative payments to date	(2,268,441)	-	(51,905,512)	(28,484,778)	(46,157,929)	(128,816,660)
Liability Recognized in the Statements of Financial Position	**P25,606,606**	**P702,244**	**P1,409,186**	**P35,779,032**	**P33,371,368**	**P96,868,436**

	Net Insurance Contract Liabilities for 2017					
Accident Year	2013 and Prior Years	2014	2015	2016	2017	Total
Estimate of ultimate claims costs at the end of accident year	P210,262,595	P286,884,781	P148,821,587	P110,646,838	P68,365,416	P68,365,416
One year later	201,274,216	64,506,330	12,054,150	28,521,078	-	28,521,078
Two years later	95,281,720	670,934	1,613,145	-	-	1,613,145
Three years later	37,582,512	273,278	-	-	-	273,278
Four years later	29,178,526	-	-	-	-	29,178,526
Current estimate of cumulative claims	29,178,526	273,278	1,613,145	28,521,078	68,365,416	127,951,445
Cumulative payments to date	(1,799,206)	-	(240,544)	(21,915,657)	(30,221,320)	(54,176,727)
Liability Recognized in the Statements of Financial Position	P27,379,322	P273,278	P1,372,601	P6,605,421	P38,144,096	P73,774,718

Financial Risk

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

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 a financial loss.

The Company manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track record and which are allowed to participate in the Company's reinsurance programs.

In respect of investment securities, the Company limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Company also makes use of institutions with high creditworthiness.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counter parties which are set by reference to their long term ratings.

Generally, the maximum credit risk exposure of financial assets is presented gross of allowance of impairment losses, as summarized below:

	Note	2018	2017
Cash and cash equivalents*	*7*	**P208,924,798**	P144,832,915
Short-term investments	*8*	**90,991,945**	7,488,450
Insurance receivables**	*9*	**172,277,786**	137,538,607
Subscription receivable	*28*	**47,250,000**	47,250,000
HTM investments	*11*	**281,954,942**	248,381,421
Employee receivables***	*16*	**5,678,963**	5,212,143
Accrued interest receivable***	*16*	**2,989,812**	1,636,195
Dividend receivable***	*16*	**116,250**	1,373,380
Security deposits***	*16*	**59,546**	59,546
		P810,244,042	P593,772,657

**Excluding cash on hand.*
***Excluding reinsurance recoverable on unpaid losses.*
****Included under other assets account.*

The Company's concentration of credit risk arises from its insurance receivables and its investments in corporate and government debt securities. Insurance receivables - net which amounted to P136.35 million and P150.25 million represents 13.00% and 14.46% of its total assets as at December 31, 2018 and 2017, respectively (see Note 9), while investments in corporate and government debt securities which amounted to P281.95 million and P248.38 million represents 26.88% and 23.91% of its total assets as at December 31, 2018 and 2017, respectively (see Note 11).

As at December 31, 2018 and 2017, the Company's receivables are not supported by any collaterals.

The tables below provide information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit grading of counterparties.

	December 31, 2018				
	Neither Past Due nor Impaired				
	Investment High Grade	**Non-investment Grade Satisfactory**	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	P208,924,798	P -	P -	P -	P208,924,798
Short-term investments	90,991,945	-	-	-	90,991,945
Insurance receivables**	-	81,805,377	41,387,950	49,084,459	172,277,786
Subscription receivable	47,250,000	-	-	-	47,250,000
HTM investments	281,954,942	-	-	-	281,954,942
Employee receivables***	5,678,963	-	-	-	5,678,963
Accrued interest receivable***	2,989,812	-	-	-	2,989,812
Dividend receivable***	116,250	-	-	-	116,250
Security deposits***	-	59,546	-	-	59,546
	P637,906,710	P81,864,923	P41,387,950	P49,084,459	P810,244,042

**Excluding cash on hand.*
***Excluding reinsurance recoverable on unpaid losses.*
****Included under other assets account.*

	December 31, 2017				
	Neither Past Due nor Impaired				
	Investment High Grade	Non-investment Grade Satisfactory	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P144,832,915	P -	P -	P -	P144,832,915
Short-term investments	-	7,488,450	-	-	7,488,450
Insurance receivables**	67,342,847	31,139,031	27,197	39,029,532	137,538,607
Subscription receivable	47,250,000	-	-	-	47,250,000
HTM investments	248,381,421	-	-	-	248,381,421
Employee receivables***	5,212,143	-	-	-	5,212,143
Accrued interest receivable***	1,636,195	-	-	-	1,636,195
Dividend receivable***	1,373,380	-	-	-	1,373,380
Security deposits***	-	59,546	-	-	59,546
	P516,028,901	P38,687,027	P27,197	P39,029,532	P593,772,657

Excluding cash on hand.
***Excluding reinsurance recoverable on unpaid losses.*
****Included under other assets account.*

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade
This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amount of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory
This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due but not Impaired
These are financial assets where contractual interest or principal repayment are past due but the Company believes impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Company.

Past Due and Impaired
These are financial assets which the Company determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the instruments agreement.

As at December 31, 2018 and 2017, the aging analyses of insurance receivables are as follows (in thousands):

Insurance Receivables*	Total	Neither Past Due nor Impaired	Past Due but not Impaired: 90 Days - 1 Year	Past Due but not Impaired: Over 1 Year - 3 Years	Past Due and Impaired
2018	**P172,278**	**P81,806**	**P38,597**	**P2,791**	**P49,084**
2017	137,539	67,343	31,139	27	39,030

**Excluding reinsurance recoverable on unpaid losses.*

Liquidity Risk

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

The Company manages its liquidity needs by carefully monitoring schedules of debt servicing payments of long-term financial liabilities as well as cash outflows due on a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection.

Long-term liquidity needs for a six-month and one-year period are identified monthly. The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligation, or for the issuance contract liabilities, based on the estimated timing of net cash flows:

	December 31, 2018						
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Total
Financial Assets							
Cash and cash equivalents*	P208,924,798	P -	P -	P -	P -	P -	P208,924,798
Short-term investments	90,991,945	-	-	-	-	-	90,991,945
Insurance receivables**	172,277,786	-	-	-	-	-	172,277,786
Subscription receivable	47,250,000	-	-	-	-	-	47,250,000
AFS financial assets	-	-	-	-	-	160,475,015	160,475,015
HTM investments	47,162,052	157,792,890	37,000,000	30,000,000	10,000,000	-	281,954,942
Employee receivables***	5,678,963	-	-	-	-	-	5,678,963
Accrued interest receivable***	2,989,812	-	-	-	-	-	2,989,812
Dividend receivable***	116,250	-	-	-	-	-	116,250
Security deposits***	59,546	-	-	-	-	-	59,546
Total Financial Assets	575,451,152	157,792,890	37,000,000	30,000,000	10,000,000	160,475,015	970,719,057
Financial Liabilities							
Provision for claims reported	68,337,405	-	-	-	-	-	68,337,405
Insurance payables	14,829,990	-	1,141,850	-	-	-	15,971,840
Accounts payable and accrued expenses****	83,504,243	-	-	-	-	-	83,504,243
Total Financial Liabilities	166,671,638	-	1,141,850	-	-	-	167,813,488
Net Liquidity Surplus	P408,779,514	P157,792,890	P35,858,150	P30,000,000	P10,000,000	P160,475,015	P802,905,569

*Excluding cash on hand.
**Excluding reinsurance recoverable on unpaid losses.
***Included under other assets account.
****Excluding government payables and reserve for contingencies.

	December 31, 2017						
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Total
Financial Assets							
Cash and cash equivalents*	P144,832,915	P -	P -	P -	P -	P -	P144,832,915
Short-term investments	7,488,450	-	-	-	-	-	7,488,450
Insurance receivables**	137,538,607	-	-	-	-	-	137,538,607
Subscription receivable	47,250,000	-	-	-	-	-	47,250,000
AFS financial assets	-	-	-	-	-	338,646,790	338,646,790
HTM investments	-	-	161,036,153	47,345,268	40,000,000	-	248,381,421
Employee receivables***	5,212,143	-	-	-	-	-	5,212,143
Accrued interest receivable***	1,636,195	-	-	-	-	-	1,636,195
Dividend receivable***	1,373,380	-	-	-	-	-	1,373,380
Security deposits***	59,546	-	-	-	-	-	59,546
Total Financial Assets	345,391,236	-	161,036,153	47,345,268	40,000,000	338,646,790	932,419,447
Financial Liabilities							
Provision for claims reported	10,083,622	53,086,342	1,374,595	267,300	32,144,299	-	96,956,158
Insurance payables	15,575,930	-	1,141,850	-	-	-	16,717,780
Accounts payable and accrued expenses****	55,627,900	-	-	-	-	-	55,627,900
Total Financial Liabilities	81,287,452	53,086,342	2,516,445	267,300	32,144,299	-	169,301,838
Net Liquidity Surplus	P264,103,784	(P53,086,342)	P158,519,708	P47,077,968	P7,855,701	P338,646,790	P763,117,609

*Excluding cash on hand.
**Excluding reinsurance recoverable on unpaid losses.
***Included under other assets account.
****Excluding government payables and reserve for contingencies.

Market Risk

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments and sectors.

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposure to the IC, regular monitoring and review of the Company's investments performance and upcoming investment opportunities for pertinent and changing environment.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to currency risk is minimal having no material transaction in foreign currency and financial assets or liabilities denominated in foreign currency.

Interest Rate Risk
The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration of its maturity profile. Exposures to interest rate risk comprise the following:

	December 31, 2018				
		Due in			
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years	Total
Financial Assets					
Cash and cash equivalents*	0.25% to 4.50%	P208,924,798	P -	P -	P208,924,798
Short-term investments	2.12% to 6.50%	90,991,945	-	-	90,991,945
HTM investments	3.38% to 7.00%	47,162,052	224,792,890	10,000,000	281,954,942

	December 31, 2017				
		Due in			
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years	Total
Financial Assets					
Cash and cash equivalents*	0.25% to 4.50%	P144,832,915	P -	P -	P144,832,915
Short-term investments	1.49%	7,488,450	-	-	7,488,450
HTM investments	3.38% to 7.00%	-	208,381,421	40,000,000	248,381,421

*Excluding cash on hand.

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase net income by P1.21 million and P1.10 million for the years ended December 31, 2018 and 2017, respectively. The decrease in same basis points will reduce the net income by the same amount.

In 2018 and 2017, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

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 price, principally on AFS quoted financial assets. Total AFS financial assets subject to price risk amounting to P152.98 million and P331.15 million in 2018 and 2017, respectively (see Note 10).

A 5% increase in stock prices would have increased the carrying value of these investments by P7.65 million and P16.56 million as at December 31, 2018 and 2017, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

The Company determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Company holds as of the reporting dates.

6. Fair Value Measurement

Financial Instruments
A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial assets and financial liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the methods as described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes to the financial statements specific to that asset or liability.

The methods and assumptions used by the Company in estimating the fair values of financial instruments are as follows:

Cash and Cash Equivalents and Short-term Investments - carrying amounts approximate fair values due to their short-term maturities.

Insurance Receivable and Other Receivables - the carrying amounts of the receivables approximate the fair values either due to the relatively short-term maturities of these assets; or the fact that the estimated future cash flows expected to be received discounted using the current market rates is equivalent to the carrying amount of receivables.

AFS Financial Assets - are measured at its fair value except those whose fair value cannot be measured reliably. The fair values of quoted equity securities were determined by reference to quoted market prices published by PSE.

As at December 31, 2018 and 2017, the Company's AFS financial assets carried at fair value amounting to P152.98 million and P331.15 million, respectively (see Note 10).

HTM investments - are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

Provision for Claims Reported - pertains to estimated amount of reported claims which have not yet been settled as at valuation date and expenses for setting those claims.

Insurance Payables - the carrying amounts of the payables approximate the fair values either due to the relatively short-term maturities of these liabilities; or the fact that the estimated future cash flows expected to be paid discounted using the current market rates is equivalent to the carrying amount of payables.

Accounts Payable and Accrued Expenses (excluding government payables and reserve for contingencies) - stated at amounts reasonably expected to be paid within the next 12 months or within the Company's operating cycle. As at reporting date, this liability is considered to be current.

Fair Value Hierarchy

All assets and liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy categorizes all assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of all assets and liabilities (see Note 3).

Financial Assets

As at December 31, AFS financial assets is the only financial asset measured at fair value in the statements of financial position. The fair value hierarchy of the Company's AFS financial assets is as follows:

	2018				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
AFS financial assets	P151,771,222	P151,771,222	P -	P -	P151,771,222

			2017		
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
AFS financial assets	P320,458,312	P320,360,322	P97,990	P -	P320,458,312

For the years ended December 31, 2018 and 2017, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Nonfinancial Assets
As at December 31, 2018 and 2017, the fair value of the Company's investment properties amounted to P8.24 million and P4.94 million, respectively (see Note 14), using level 2 inputs. During the year, 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 recurring fair value of nonfinancial assets under level 2 are determined using market data approach (see Note 14).

7. Cash and Cash Equivalents

As at December 31, this account consists of:

	2018	2017
Cash on hand	**P112,000**	P132,000
Cash in banks	**68,106,219**	43,809,912
Cash equivalents	**140,818,579**	101,023,003
	P209,036,798	P144,964,915

Cash in banks consist of peso and foreign currency-denominated deposits, under current and savings accounts, which earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods up to three (3) months depending on the immediate cash requirement of the Company, and earn annual interest ranging from 0.25% per annum to 4.50% per annum both in 2018 and 2017.

Interest income earned on cash and cash equivalents amounted to P4.09 million and P0.35 million in 2018 and 2017, respectively (see Note 23). Accrued interest receivable relating to cash and cash equivalents amounted to P1.18 million and P0.13 million as at December 31, 2018 and 2017, respectively (see Note 16).

8. Short-term Investments

Short-term investments amounted to P90.99 million and P7.49 million as at December 31, 2018 and 2017, respectively. These investments have maturity period of more than ninety (90) days up to one (1) year and earn annual interest at the prevailing market rate of 2.12% per annum to 6.50% per annum.

Interest income earned from short-term investments amounted to P1.20 million and P0.02 million in 2018 and 2017, respectively (see Note 23). Accrued interest receivable relating to short-term investments amounted to P0.07 million and P0.01 million as at December 31, 2018 and 2017, respectively (see Note 16).

9. Insurance Receivables

As at December 31, this account consists of:

	2018	2017
Premiums receivable	**P140,617,269**	P114,564,317
Reinsurance recoverable on paid losses	**27,318,184**	19,267,253
Reinsurance recoverable on unpaid losses	**13,160,458**	51,737,079
Due from ceding companies	**4,342,333**	3,707,037
	185,438,244	189,275,686
Allowance for impairment losses	**(49,084,459)**	(39,029,532)
	P136,353,785	P150,246,154

Premiums receivable pertains to amounts receivable from agents, for policy issuances of the Company. Normal credit term of these receivables is 30-90 days.

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

Reinsurance recoverable on unpaid losses pertains to amount recoverable from reinsurers under treaty and facultative agreements as their share in unpaid losses and loss adjustments expense, net of salvage or recoveries. This also includes reinsurers' share on claims in respect of claims events which have occurred but have not been reported to the Company as of the reporting date.

Due from ceding companies pertains to amounts receivable from facultative and treaty reinsurers of the Company.

The reconciliation of allowance for impairment losses on premiums receivables from policyholders, agents and brokers as at December 31 are as follows:

		2018			
	Note	**Premiums Receivable**	**Due from Ceding Companies**	**Reinsurance Recoverable**	**Total**
January 1, 2018		**P37,489,276**	**P575,112**	**P965,144**	**P39,029,532**
Impairment losses	24	**10,858,673**	**-**	**-**	**10,858,673**
Write-off		**-**	**-**	**(803,746)**	**(803,746)**
December 31, 2018		**P48,347,949**	**P575,112**	**P161,398**	**P49,084,459**
Individually impaired		**P22,796,722**	**P -**	**P161,398**	**P22,958,120**
Collectively impaired		**25,551,227**	**575,112**	**-**	**26,126,339**
		P48,347,949	**P575,112**	**P161,398**	**P49,084,459**

		2017			
	Note	Premiums Receivable	Due from Ceding Companies	Reinsurance Recoverable	Total
January 1, 2017		P4,478,601	P575,112	P2,804,800	P7,858,513
Impairment losses	24	33,010,675	-	-	33,010,675
Write-off		-	-	(1,839,656)	(1,839,656)
December 31, 2017		P37,489,276	P575,112	P965,144	P39,029,532
Individually impaired		P8,043,723	P -	P965,144	P9,008,867
Collectively impaired		29,445,553	575,112	-	30,020,665
		P37,489,276	P575,112	P965,144	P39,029,532

10. AFS Financial Assets

As at December 31, this account consists of:

	2018	2017
Quoted equity shares	**P152,975,015**	P331,146,790
Unquoted equity shares	**7,500,000**	7,500,000
	160,475,015	338,646,790
Allowance for impairment losses	**(8,703,793)**	(18,188,478)
	P151,771,222	P320,458,312

Unquoted equity shares, which are carried at cost, include investment in AFP Theater amounting to P7.50 million in 2018 and 2017.

The reconciliation of the carrying amounts of AFS financial assets is as follows:

	2018	2017
Balance at beginning of year	**P338,646,790**	P329,890,515
Acquisitions	**12,596,470**	109,974,750
Disposals	**(196,385,391)**	(152,663,367)
Write off of AFS financial assets	**-**	(560,000)
Net change in fair value of AFS financial assets	**5,617,146**	52,004,892
	160,475,015	338,646,790
Allowance for impairment losses	**(8,703,793)**	(18,188,478)
Balance at end of year	**P151,771,222**	P320,458,312

The movements of the allowance for impairment losses on AFS financial assets is as follows:

	Note	2018	2017
Balance at beginning of year		**(P18,188,478)**	(P9,263,793)
Impairment loss	*24*	**-**	(9,484,685)
Reversal of impairment loss due to disposal of AFS financial assets		**9,484,685**	-
Write off of AFS financial assets		**-**	560,000
		(P8,703,793)	(P18,188,478)

The movements in revaluation reserve on AFS financial assets are as follows:

	Note	2018	2017
Balance at beginning of year		**(P11,511,814)**	(P53,472,021)
Change in fair value of AFS financial assets		**10,660,379**	30,375,764
Impairment losses	*24*	**-**	(9,484,685)
Net change in fair value reclassified to profit or loss		**(5,043,233)**	21,069,128
		(P5,894,668)	(P11,511,814)

The Company recognized loss on sale of AFS financial assets amounting to P31.60 million in 2018 and gain on sale of AFS financial assets amounting to P1.45 million in 2017 (see Note 23).

Dividend income earned from these investments amounted to P2.74 million and P7.42 million in 2018 and 2017, respectively (see Note 23).

11. Held-to-Maturity Investments

As at December 31, this account consist of:

	2018	2017
Government debt securities	**P224,954,942**	P218,381,421
Corporate debt securities	**57,000,000**	30,000,000
	P281,954,942	P248,381,421

The reconciliation of the carrying amounts of investments classified as HTM investments is as follows:

	2018	2017
Balance at beginning of year	**P248,381,421**	P67,646,062
Acquisitions	**34,000,000**	190,500,000
Maturities	**-**	(10,000,000)
Amortization of (premium) discount - net	**(426,479)**	235,359
Balance at end of year	**P281,954,942**	P248,381,421

In compliance with the capital investment requirement under Section 209 of the Amended Insurance Code, certain government debt securities earmarked as security for the benefit of policyholders and creditors of the Company are deposited with the Bureau of Treasury under the Registry of Scriptless Securities System. As at December 31, 2018 and 2017, face value of these earmarked government debt securities amounted to P224.50 million and P217.50 million, respectively, while amortized cost amounted P224.95 million and P218.38 million, respectively.

Interest earned from government securities amounted to P7.90 million and P7.00 million in 2018 and 2017, respectively (see Note 23). On the other hand, corporate securities earned P3.07 million and P0.05 million in the year 2018 and 2017, respectively (see Note 23). Related accrued interest receivable amounted to P1.74 million and P1.50 million as at December 31, 2018 and 2017, respectively (see Note 16).

As at December 31, the maturity profile of the HTM investments is as follows:

	2018	2017
Within one year	**P47,162,052**	P -
Two to five years	**224,792,890**	208,381,421
Beyond five years	**10,000,000**	40,000,000
	P281,954,942	P248,381,421

As at December 31, 2018 and 2017, the Company has no HTM investments pledged as collateral.

12. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertain to the unexpired portion of insurance premiums ceded out as at reporting date. The details and movements of this account are as follows:

	Note	**2018**	2017
Balance at beginning of year		**P11,252,161**	P11,085,968
Premiums ceded for the year	20	**34,250,513**	24,184,353
Premiums ceded related to expired periods	20	**(31,481,866)**	(24,018,160)
Increase in deferred reinsurance premium	20	**2,768,647**	166,193
Balance at end of year		**P14,020,808**	P11,252,161

13. Deferred Acquisition Costs

As at December 31, the reconciliation of deferred acquisition costs is as follows:

	2018	2017
Balance at beginning of year	**P32,934,217**	P22,467,112
Commission expense for the year	**48,920,328**	60,466,875
Commission incurred for the year	**(51,120,792)**	(49,999,770)
Balance at end of year	**P30,733,753**	P32,934,217

14. Investment Properties

As at December 31, the rollforward of the account is as follows:

	Note	**2018**	2017
Balance at beginning of year		**P4,944,000**	P21,289,000
Disposal		**-**	(16,345,000)
Gain on revaluation	23	**3,296,000**	-
		P8,240,000	P4,944,000

In 2017, the Company disposed investment property with book value of P16.35 million which resulted to gain on sale amounting to P8.05 million (see Note 23). There was no disposal of investment property in 2018.

The fair values of the Company's investment properties have been determined using Market Data Approach. In this approach, the value of the properties was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable.

The properties used as bases of comparison are situated in the same area where the investment properties are located taking into account the economic conditions prevailing at the time the valuations were made. The recurring fair value measurement for investment property has been categorized as a level 2 fair value based on the inputs to the valuation technique used.

15. Property and Equipment

As at December 31, the rollforward of the account is as follows:

	2018					
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
January 1, 2018	P34,024,082	P5,275,648	P24,609,962	P5,712,397	P42,857	P69,664,946
Additions	376,779	348,372	1,065,223	-	-	1,790,374
December 31, 2018	**34,400,861**	**5,624,020**	**25,675,185**	**5,712,397**	**42,857**	**71,455,320**
Accumulated Depreciation and Amortization						
January 1, 2018	(19,287,059)	(4,608,923)	(19,901,364)	(4,013,047)	(11,905)	(47,822,298)
Depreciation and amortization	(1,852,021)	(293,770)	(1,580,096)	(568,111)	(14,286)	(4,308,284)
December 31, 2018	**(21,139,080)**	**(4,902,693)**	**(21,481,460)**	**(4,581,158)**	**(26,191)**	**(52,130,582)**
	P13,261,781	**P721,327**	**P4,193,725**	**P1,131,239**	**P16,666**	**P19,324,738**

	2017					
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
January 1, 2017	P33,388,214	P5,018,007	P20,533,330	P5,465,786	P -	P64,405,337
Additions	635,868	400,498	3,933,775	1,300,611	42,857	6,313,609
Reclassifications	-	(142,857)	142,857	-	-	-
Disposal	-	-	-	(1,054,000)	-	(1,054,000)
December 31, 2017	34,024,082	5,275,648	24,609,962	5,712,397	42,857	69,664,946
Accumulated Depreciation and Amortization						
January 1, 2017	(17,487,103)	(4,089,771)	(13,481,013)	(3,742,120)	-	(38,800,007)
Depreciation and amortization	(1,799,956)	(514,391)	(6,425,112)	(604,694)	(11,905)	(9,356,058)
Reclassifications	-	(4,761)	4,761	-	-	-
Disposal	-	-	-	333,767	-	333,767
December 31, 2017	(19,287,059)	(4,608,923)	(19,901,364)	(4,013,047)	(11,905)	(47,822,298)
	P14,737,023	P666,725	P4,708,598	P1,699,350	P30,952	P21,842,648

The cost of fully depreciated property and equipment still being used in operations as at December 31, 2018 and 2017 amounted to P23.31 million and P21.61 million, respectively.

In 2017, the Company disposed property and equipment with carrying amount of P0.72 million which resulted to gain on sale amounting to P0.11 million (see Note 23).

16. Other Assets

As at December 31, this account consists of:

	Note	2018	2017
Employee receivables	5	**P5,678,963**	P5,212,143
Creditable withholding tax		**3,935,449**	4,065,423
Input VAT		**3,265,952**	
Accrued interest receivable	7, 8, 11	**2,989,812**	1,636,195
Loss reserve withheld by ceding companies		**2,415,897**	6,610,068
Dividend receivable	5	**116,250**	1,373,380
Prepayments		**91,997**	372,399
Centennial notes		**-**	100,000
Security deposits	5	**59,546**	59,546
Others		**7,236,702**	3,086,763
		25,790,568	22,515,917
Allowance for impairment loss on employee receivables		**(3,150,355)**	(3,150,355)
		P22,640,213	P19,365,562

Employee receivables consist of advances and loans offered to clients, officers, agents and brokers. Some of the accounts are no longer collectible, therefore, allowance for impairment losses was recorded by the Company.

CWT pertains to indirect tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases.

Accrued interest receivable pertains to interest income from cash and cash equivalents, short-term investments and HTM investments already earned by the Company, but not yet received as at reporting date.

Loss reserve withheld by ceding companies pertains to a portion of the reinsurance premium withheld by ceding companies under treaty agreements as reserve for losses.

Others pertain to receivable from ceding companies for funds withheld and prepaid documentary stamp tax. It also consists of various taxes (i.e. deferred input VAT) incurred by the Company in carrying out its day-to-day operations.

17. Insurance Contract Liabilities

As at December 31, insurance contract liabilities may be analyzed as follows:

	2018			2017		
	Insurance Contract Liabilities (Note 4)	**Reinsurers' Share of Liabilities (Note 9)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Provision for claims reported	**P68,337,405**	**P4,823,343**	**P63,514,062**	P96,956,158	P51,737,079	P45,219,079
Provision for IBNR claims	**41,691,487**	**8,337,114**	**33,354,373**	28,555,639	-	28,555,639
Provision for claims reported and IBNR claims	**P110,028,892**	**P13,160,457**	**P96,868,435**	P125,511,797	P51,737,079	P73,774,718

Provision for claims reported pertains to estimated amount of reported claims which have not yet been settled as at valuation date and expenses for setting those claims. In 2018, the Company adopted certain provisions in CL No. 2018-18, *Valuation Standards for Non-life Insurance Reserves* issued by the IC specifically the recognition of margin for adverse deviation on its IBNR claims. This will bring the IBNR claims to 75% percentile level of sufficiency.

As at December 31, the movement in losses and claims payable is accounted as follows:

	2018			2017		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Net
Balance at beginning of year	P125,511,797	P51,737,079	P73,774,718	P124,494,343	P67,024,153	P57,470,190
Claims incurred during the year	57,440,608	(43,396,881)	100,837,489	28,441,112	3,980,179	24,460,933
Claims paid during the year-net of recoveries	(77,722,247)	(3,515,845)	(74,206,402)	(52,975,692)	(19,267,253)	(33,708,439)
Increase in IBNR claims	4,798,734	8,337,114	(3,538,380)	25,552,034	-	25,552,034
Balance at end of year	P110,028,892	P13,160,457	P96,868,435	P125,511,797	P51,737,079	P73,774,718

18. Insurance Payables

As at December 31, this account consists of:

	2018	2017
Due to reinsurers	**P14,829,990**	P15,575,930
Funds held for reinsurers	**1,141,850**	1,141,850
	P15,971,840	P16,717,780

Due to reinsurers pertains to reinsurance premiums payable by the Company to all its treaty and facultative reinsurers which is expected to be settled within one year or less.

19. Accounts Payable and Accrued Expenses

As at December 31, this account consists of:

	Note	**2018**	2017
Accounts payable		**P40,139,752**	P21,173,960
Commission payable		**31,481,284**	28,217,659
Accrued and other expenses		**26,187,445**	9,856,468
Payable to regulatory agencies		**12,730,691**	11,664,350
Reserve for contingencies	*4, 31*	**10,544,122**	10,544,122
Deposits in trust		**2,406,557**	636,557
Claims fund payable		**92,933**	92,933
		P123,582,784	P82,186,049

Accounts payable consists of unidentified deposits awaiting application to the relevant premium receivables and other payables relating to micro-memorial, micro-medicare and OFW.

Commission payable pertains to the outstanding balance of commissions due to agents and brokers.

Accrued and other expenses pertains to accrual of utilities, services and other employee benefits.

Payable to regulatory agencies pertain to other taxes payable which consists primarily of documentary stamp tax, expanded withholding tax, local government tax, output and deferred value-added tax (VAT) and contributions to the governments [e.g. Social Security System (SSS), Philhealth and Pag-ibig].

All liabilities are expected to be settled within 12 months after the reporting date.

20. Reserve for Unearned Premiums

As at December 31, the account may be analyzed as follows:

	2018	2017
Balance at beginning of year	**P130,393,190**	P96,003,131
New policies written during the year	**274,015,187**	259,761,574
Premiums earned during the year	**(263,579,940)**	(225,371,515)
Increase in reserve for unearned premium	**10,435,247**	34,390,059
Balance at end of year	**P140,828,437**	P130,393,190

Details of net earned premiums on insurance contracts are as follows:

	2018				
	Direct Business	Assumed	Gross Premiums	Ceded (Note 12)	Net Premiums Earned
Premiums written	P249,403,370	P24,611,817	P274,015,187	(P34,250,513)	P239,764,674
Increase (decrease) in reserve for unearned premiums - net	(10,968,230)	532,983	(10,435,247)	2,768,647	(7,666,600)
	P238,435,140	P25,144,800	P263,579,940	(P31,481,866)	P232,098,074

	2017				
	Direct Business	Assumed	Gross Premiums	Ceded (Note 12)	Net Premiums Earned
Premiums written	P229,588,862	P30,172,712	P259,761,574	(P24,184,353)	P235,577,221
Increase (decrease) in reserve for unearned premiums - net	(34,217,091)	(172,968)	(34,390,059)	166,193	(34,223,866)
	P195,371,771	P29,999,744	P225,371,515	(P24,018,160)	P201,353,355

21. Deferred Reinsurance Commissions

As at December 31, the reconciliation of the account is as follows:

	2018	2017
Balance at beginning of year	**P1,925,705**	P1,976,247
Reinsurance commissions for the year	**7,092,512**	4,692,186
Reinsurance commissions earned for the year	**(6,142,534)**	(4,742,728)
Balance at end of year	**P2,875,683**	P1,925,705

22. Underwriting Expenses

The Company's losses and claims net of reinsurer's share consists of the following:

	2018	2017
Gross insurance contract claims paid	**P129,290,059**	P66,966,531
Outstanding losses	**11,435,965**	(9,247,914)
Increase in IBNR claims	**4,798,734**	25,552,034
Reinsurers' share of insurance contract claims paid	**(51,567,812)**	(13,990,838)
Losses and claims - net	**P93,956,946**	P69,279,813

The Company's other underwriting expenses amounting to P19.61 million and P23.88 million in 2018 and 2017, respectively, pertain to costs incurred by the Company in the conduct of underwriting services such cost for inspection, printing and share of the expenses from assumed business.

23. Investment and Other Income (Loss)

For the year ended December 31, this account consists of:

	Note	2018	2017
Investment income			
Interest income on:			
HTM investments	*11*	**P10,971,076**	P7,047,498
Cash and cash equivalents	*7*	**4,094,097**	353,950
Short-term investments	*8*	**1,200,302**	18,286
		16,265,475	7,419,734
Gain on revaluation of investment property	*14*	**3,296,000**	-
Dividend income	*10*	**2,738,669**	7,418,870
Rent income	*29*	**1,667,744**	1,401,811
Foreign exchange gain		**703,926**	34,839
Gain on sale of investment property	*14*	**-**	8,046,319
Gain on sale of property and equipment	*15*	**-**	112,164
(Loss) gain on sale of AFS financial assets	*10*	**(31,595,398)**	1,448,419
Miscellaneous income		**4,778,157**	5,371
		(P2,145,427)	P25,887,527

Miscellaneous income includes gain on sale of scrap materials and reversal of provision for penalties due to regulator after final settlement was made.

24. General and Administrative Expenses

For the year ended December 31, this account consists:

	Note	2018	2017
Salaries and employee benefits	*25*	**P47,352,451**	P50,186,591
Impairment losses	*9, 10*	**10,858,673**	42,495,360
Advertising and promotions		**5,836,715**	3,232,658
Transportation and travel		**4,742,217**	4,518,751
Depreciation and amortization	*15*	**4,308,284**	9,356,058
Representation and entertainment		**4,277,297**	5,133,982
Directors' fees and allowances	*27*	**4,053,913**	4,920,670
Printing, stationery and office supplies		**3,838,614**	2,927,320
Repairs and maintenance		**3,091,876**	2,569,650
Communication and postage		**2,897,602**	2,840,328
Professional fees		**2,303,320**	2,353,469
Service fees		**1,909,456**	1,653,261
Light and water		**1,738,814**	1,599,601
Taxes and licenses		**1,498,282**	3,081,005
Rent expense	*29*	**979,557**	647,233
Sales incentives		**487,032**	183,134
Association and pool dues		**449,160**	337,409
Insurance		**166,812**	206,407
Meetings and conferences		**145,977**	166,575
Others		**4,566,826**	12,779,026
		P105,502,878	P151,188,488

25. Salaries and Employee Benefits

For the year ended December 31, this account consists of:

	Note	2018	2017
Salaries and wages		**P27,135,029**	P28,009,743
Allowances and bonuses		**15,774,247**	17,679,526
Retirement expense		**2,452,703**	2,641,509
Social security costs		**1,990,472**	1,855,813
	24	**P47,352,451**	P50,186,591

Retirement Benefit Costs

The Company has a funded, noncontributory defined benefit retirement plan covering all permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. An independent actuary conducts an actuarial valuation of the retirement benefit liability using the projected unit credit method. The latest actuarial valuation was made as at December 31, 2018. Valuations are obtained on a periodic basis.

The plan entitles any employee on the day of his attainment of age 60 or completing 30 years of service, whichever is earlier, be retired and be entitled to full normal benefits. Full normal benefits of an employee who has reached the age of 60 and has rendered 20 years or more of service, or an employee who has rendered 30 years of service, regardless of age, shall be equivalent to 150% of one month's pay per year of service. On the other hand, an employee who has reached age 60 and has rendered less than 20 years of service shall be entitled to a normal retirement benefit equivalent to 125% of one month's pay per year of service. The basis of a month's pay is the employee's basic salary at the time of retirement.

The plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, as amended.

The retirement expense is recognized as part of "Salaries and employee benefits" account under "General and administrative expenses" in the statements of comprehensive income.

The following table shows reconciliation from the opening balances to the closing balances for the retirement benefits asset and its components:

	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Net Retirement Benefit Asset	
	2018	2017	**2018**	2017	**2018**	2017
Balance at January 1	**(P18,295,595)**	(P18,120,904)	**P18,779,553**	P17,231,766	**P483,958**	(P889,138)
Recognized in Profit or Loss						
Current service cost	**(2,480,289)**	(2,599,008)	**-**	-	**(2,480,289)**	(2,599,008)
Interest expense	**(1,042,849)**	(866,179)	**-**	-	**(1,042,849)**	(866,179)
Interest income	**-**	-	**1,070,435**	823,678	**1,070,435**	823,678
	(3,523,138)	(3,465,187)	**1,070,435**	823,678	**(2,452,703)**	(2,641,509)
Recognized in OCI						
Remeasurements:						
Actuarial losses (gains) arising from:						
Experience adjustments	**2,020,665**	1,507,316	**-**	-	**2,020,665**	1,507,316
Return on plan asset excluding interest	**-**	-	**(689,598)**	(225,960)	**(689,598)**	(225,960)
	2,020,665	1,507,316	**(689,598)**	(225,960)	**1,331,067**	1,281,356
Contributions paid	**-**	-	**3,406,307**	2,733,249	**3,406,307**	2,733,249
Benefits paid	**2,521,888**	1,783,180	**(2,521,888)**	(1,783,180)	**-**	-
	2,521,888	1,783,180	**884,419**	950,069	**3,406,307**	2,733,249
Balance at December 31	**(P17,276,180)**	(P18,295,595)	**P20,044,809**	P18,779,553	**P2,768,629**	P483,958

The movement of remeasurement of retirement asset are as follows:

	Note	**2018**	2017
Balance at beginning of year		**P4,850,267**	P5,747,216
Actuarial loss on PVBO		**(2,020,665)**	(1,507,316)
Actuarial gain on FVPA		**689,598**	225,960
Tax effect	*26*	**399,320**	384,407
Balance at end of year		**P3,918,520**	P4,850,267

As at December 31, the plan assets is composed of the following:

	2018	2017
Cash	**P5,045,844**	P3,590,539
Investments	**12,783,020**	12,971,091
Receivables	**2,773,695**	2,818,843
Trust fee payable	**(557,750)**	(600,920)
	P20,044,809	P18,779,553

The carrying amounts disclosed above reasonably approximate fair value.

Assumptions regarding future mortality are based on the 1994 Group Annuity Mortality (GAM) Table for male and female. The weighted average duration of the defined benefit obligation is both 12 years as at December 31, 2018 and 2017.

Key Financial Assumptions

The principal actuarial assumptions used at the reporting date are as follows (expressed as percentages under weighted averages):

	Change in Assumption	**2018**	2017
Discount rate	**+0.5%**	**7.65%**	6.20%
	-0.5%	**6.65%**	5.20%
Salary increase rate	**+5.00%**	**5.50%**	5.50%
	-5.00%	**4.50%**	4.50%

Maturity Profile

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

	2018	2017
Less than one (1) year	**P182,992**	P570,209
More than one (1) year to five (5) years	**1,766,552**	3,139,024
More than five (5) years to 10 years	**7,950,513**	7,822,643
More than 10 years to 15 years	**47,665,291**	46,188,457
More than 15 years to 20 years	**11,919,607**	17,734,341
More than 20 years	**197,265,079**	221,809,937
	P266,750,034	P297,264,611

Significant assumptions underlying the actuarial computations are:

Mortality table	1994 GAM Table, Male and Female			
Disability table	1952 Disability Table (Society of Actuaries)			
Employee turnover rate:	Age	Rate	Age	Rate
	20	10.0%	50	2.00%
	25	10.0%	51-56	1.50%
	30	7.50%	57	1.00%
	35	5.50%	58	0.50%
	40	3.00%	59	0.00%
	45	2.50%	60	100.00%

These actuarial assumptions are based on the presumption that the Plan will continue its operation. When the Plan intends to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial value of accumulated plan benefits.

The Company, depending on its financial position, shall contribute to the fund considering the defined benefits liability amount as calculated by an independent actuarial advisor based on reliable and reasonable actuarial assumptions.

This defined benefit plan exposes the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Asset-Liability Matching Strategy
The Company does not perform any Asset-Liability Matching Study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

26. Taxes

For the year ended December 31, the Company's taxes consists of the following:

	2018	2017
Current	**P889,644**	P721,900
Deferred income tax benefit	**(4,856,118)**	(10,688,392)
Final	**3,206,748**	1,740,999
	(P759,726)	(P8,225,493)

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

	2018	2017
Loss before income tax	**(P34,097,645)**	(P61,019,511)
Income tax computed at statutory tax rate	**(P10,229,294)**	(P18,305,853)
Tax effects of:		
Unrecognized DTA on NOLCO for the year	**10,510,522**	119,489
Income subjected to final tax	**(4,879,642)**	(2,225,920)
Final tax	**3,206,748**	1,740,999
Excess of MCIT over RCIT	**889,644**	721,900
Dividend income	**(821,601)**	(2,225,661)
Non-deductible expenses	**563,897**	3,127,648
Reversal of DTA	**-**	8,821,905
	(P759,726)	(P8,225,493)

The Company opted to use the itemized method of deduction for its income tax returns in 2018 and 2017.

As at December 31, the Company's deferred tax assets (liability) consist of:

	Tax Base	2018	Tax Base	2017
Recognized in Profit and Loss				
NOLCO	**P9,215,078**	**P2,764,523**	P9,215,078	P2,764,523
Allowance for impairment losses:				
Insurance and other receivables	**52,234,814**	**15,670,444**	42,179,887	12,653,966
Provisions for IBNR claims	**41,691,487**	**12,507,446**	28,555,639	8,566,692
AFS financial assets	**8,703,793**	**2,611,138**	18,188,478	5,456,543
Accrued expenses - net	**3,615,988**	**1,084,796**	167,988	50,396
Unamortized past service cost	**107,393**	**32,218**	120,817	36,245
Retirement benefit expense	**(325,769)**	**(97,731)**	627,835	188,351
Amount Charged to Profit and Loss	**115,242,784**	**34,572,834**	99,055,722	29,716,716
Recognized in OCI				
Remeasurement of retirement asset	**(2,612,423)**	**(783,727)**	(1,281,356)	(384,407)
	P112,630,361	**P33,789,107**	P97,774,366	P29,332,309

The movements of deferred tax assets (liabilities) are accounted for as follows:

	2018	2017
Recognized in Profit and Loss		
Allowance for impairment losses:		
Insurance and other receivables	**(P3,016,478)**	(P9,351,306)
AFS financial assets	**2,845,405**	(2,677,405)
Provision for IBNR claims	**(3,940,754)**	(8,566,692)
Accrued expenses - net	**(1,034,400)**	1,093,829
Retirement benefit expense	**286,082**	27,522
Unamortized past service cost	**4,027**	(36,245)
NOLCO	**-**	8,430,632
MCIT	**-**	391,273
Amount charged to profit and loss	**(4,856,118)**	(10,688,392)
Recognized in OCI		
Remeasurement of retirement asset	**399,320**	384,407
Amount charged to OCI	**399,320**	384,407
	(P4,456,798)	(P10,303,985)

The details of the Company's NOLCO which can be claimed as a credit against future taxable income are as follows:

Year Incurred	Year of Expiry	Amount	Expiry/Used	Balance
2015	2018	P30,093,472	P30,093,472	P -
2016	2019	37,317,183	-	37,317,183
2017	2020	398,297	-	398,297
2018	2021	35,035,075	-	35,035,075
Total		P102,844,027	P30,093,472	P72,750,555

As at December 31, 2018 and 2017, the Company did not recognize deferred tax assets from NOLCO amounting to P19.06 million and P17.58 million, respectively.

The details of the Company's MCIT which can be claimed as a credit against future tax payable are as follows:

Year Incurred	Year of Expiry	Amount	Expiry/Used	Balance
2015	2018	P596,358	P596,358	P -
2016	2019	391,273	-	391,273
2017	2020	721,900	-	721,900
2018	2021	889,644	-	889,644
Total		P2,599,175	P596,358	P2,002,817

As at December 31, 2018 and 2017, the Company did not recognize deferred taxes on MCIT amounting to P2.00 million and P1.71 million, respectively, as the management believes that future deductible items may not be realized as future taxable income may not be sufficient to realize related tax benefit based on the Company's financial projection.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Included in the corporate entities are management entities that provide key management personnel (KMP) services to the Company, either directly or through a group of entities.

The Company's related parties include AFPMBAI and the Company's KMP. Significant related party transactions are summarized below:

a. Transactions with related party consist mainly of the following activities:

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance Due from Related Parties	Terms	Conditions
AFPMBAI						
• Premium Income	**2018**	*27a*	**P3,831,279**	**P -**	**On demand; non-interest bearing**	**-**
	2017	*27a*	1,121,306	-	On demand; non-interest bearing	-
• Rental expense	**2018**	*27b*	**424,639**	**-**	**On demand; non-interest bearing**	**-**
	2017	*27b*	385,575	-	On demand; non-interest bearing	-
• Additional subscription	**2018**	*27c*	**-**	**47,250,000**	**On demand; non-interest bearing**	**Unsecured; Unimpaired**
	2017	*27c*	227,750,000	47,250,000	On demand; non-interest bearing	Unsecured; Unimpaired
Directors						
• Fees and allowances	**2018**	*24*	**4,053,913**	**-**	**-**	**-**
	2017		4,920,670	-	-	-
Total	**2018**			**P47,250,000**		
Total	2017			P47,250,000		

a.) AFPMBAI has a motor car and fidelity bond insurance agreement with the Company amounting to P3.83 million and P1.12 million in 2018 and 2017, respectively.

In addition, AFPMBAI contracted the Company for a fire insurance agreement covering real estate properties of borrowers who were granted mortgage and housing loans. Monthly amortization for the fire insurance is shouldered by the borrowers.

b.) In 2016, the Company entered into lease agreement with AFPMBAI for its extension office. Rental expense included in the statements of income amounted to P0.42 million and P0.39 million in 2018 and 2017, respectively.

c.) In 2017, AFPMBAI entered a subscription agreement with the Company. AFPMBAI subscribed for P275.00 million worth of the Company's redeemable preference shares and paid P227.75 million. The remaining subscription receivable amounted to P47.25 million as at December 31, 2018 and 2017.

d.) KMP of the Company are in managerial to top executive position. The summary of compensation of KMP is as follows:

	2018	2017
Salaries and other short-term employee benefits	**P6,584,749**	P1,501,648
Pension and other post-employment benefits	**2,076,345**	774,392
	P8,661,094	P2,276,040

28. Equity

Capital Stock

The Company has 250,000 common shares of authorized capital stock at P1,000 par value, all of which are issued and outstanding as at December 31, 2018 and 2017.

In 2017, the Philippine SEC approved the Company's increase in authorized capital stock for 275,000 preferred shares at P1,000 par. The total increase in authorized capital stock was fully subscribed by AFPMBAI wherein P227.75 million was initially paid.

As at December 31, 2018 and 2017, the remaining unpaid subscription of AFPMBAI amounted to P47.25 million.

As at December 31, 2018 and 2017, the Company has P173.14 million of additional paid-in capital.

29. Lease Commitment

The Company, as a lessor, leases a portion of its building to various tenants. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental income as at December 31, 2018 and 2017 are as follows:

	2018	2017
Within one (1) year	**P1,540,687**	P1,291,513
After one (1) year but not more than five (5) years	**2,155,194**	-
Total	**P3,695,881**	P1,291,513

Total rent income amounting to P1.67 million and P1.40 million in 2018 and 2017, respectively, are presented as part of other income under the "Investment and other income" account in the statements of comprehensive income (see Note 23).

The Company, as a lessee, leased spaces for the branches and extension offices. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental expense as at December 31, 2018 and 2017 due within one (1) year amounted to P0.19 million and P0.48 million, respectively.

Total rent expense amounting to P0.98 million and P0.65 million in 2018 and 2017, respectively, are presented as part of "General administrative expenses" account in the statements of comprehensive income (see Note 24).

30. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2018 and 2017 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

	2018				2017			
	Within One Year	Beyond One Year	No Term	Total	Within One Year	Beyond One Year	No Term	Total
Assets								
Cash and cash equivalents	P209,036,798	P -	P -	P209,036,798	P144,964,915	P -	P -	P144,964,915
Short-term investments	90,991,945	-	-	90,991,945	7,488,450	-	-	7,488,450
Insurance receivables - net	136,353,785	-	-	136,353,785	160,246,164	-	-	160,246,164
Subscription receivable	47,250,000	-	-	47,250,000	47,250,000	-	-	47,250,000
AFS financial assets - net	-	-	151,771,222	151,771,222	-	-	320,458,312	320,458,312
HTM investments	47,162,052	234,792,890	-	P281,954,942	-	248,381,421	-	248,381,421
Deferred reinsurance premium	14,020,808	-	-	14,020,808	11,252,161	-	-	11,252,161
Deferred acquisition costs	30,733,753	-	-	30,733,753	32,934,217	-	-	32,934,217
Investment properties	-	-	8,240,000	8,240,000	-	-	4,944,000	4,944,000
Property and equipment - net	469,802	18,854,936	-	19,324,738	469,802	21,372,846	-	21,842,648
Retirement asset	-	2,788,629	-	2,788,629	-	483,958	-	483,958
Deferred tax assets - net	-	33,739,107	-	33,739,107	-	29,332,309	-	29,332,309
Other assets - net	22,640,213	-	-	22,640,213	19,266,562	100,000	-	19,366,562
	598,659,156	290,205,562	160,011,222	1,048,875,940	413,871,261	299,670,534	325,402,312	P1,038,944,107
Liabilities								
Insurance contract liabilities	110,028,892	-	-	110,028,892	38,639,261	86,872,536	-	P125,511,797
Insurance payables	14,829,990	1,141,850	-	15,971,840	15,575,930	1,141,850	-	16,717,780
Accounts payable and accrued expenses	123,582,784	-	-	123,582,784	82,186,049	-	-	82,186,049
Income tax payable	619,993	-	-	619,993	721,900	-	-	721,900
Reserve for unearned premiums	140,828,437	-	-	140,828,437	130,393,190	-	-	130,393,190
Deferred reinsurance commissions	2,875,683	-	-	2,875,683	1,925,705	-	-	1,925,705
	392,765,779	1,141,850	-	393,907,629	269,442,035	88,014,386	-	P357,456,421
Net Assets	P205,893,377	P289,063,712	P160,011,222	P654,968,311	P144,429,226	P211,656,148	P325,402,312	P681,487,686

31. Contingencies

As at December 31, 2018, the Company is contingently liable to the following lawsuits and claims:

- The Company has various legal proceedings on insurance claims-related and resigned employee claims, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Company. As at December 31, 2018 and 2017, the loss payable amounted to P22.19 million and P19.90 million which is recorded under claims and losses payable under "Insurance contract liabilities" in the statements of financial position.

- On April 22, 2010, the Company filed petition in the Court of Tax Appeal in Quezon City for the cancellation of tax assessment for the year 2006 based on the Formal Letter of Demand received from BIR on April 6, 2010. As at December 31, 2018 and 2017, the Company recognized a liability for certain portion of the tax deficiencies to which the Management believes they are liable amounting to P10.54 million, this is part of "Accounts payable and accrued expenses" account in the statements of financial position (see Note 19).

- On December 11, 2013, the Company received a copy of the Notice of Disallowance (ND) issued by the Commission on Audit (COA) to Armed Forces of the Philippines (AFP) informing the latter that the amount of P5.75 million representing premiums paid by the AFP to the Company for the insurance of AFP's properties was disallowed in audit because the insurance of the properties of AFP with the Company is not in accordance with RA No. 656 dated June 16, 1951. Such transaction pertains to the Fire Insurance of General Headquarters (GHQ) Unified Commands/ AFPWSSUs buildings for 2013. On March 12, 2014, the Company submitted an appeal memorandum to COA for the petition of ND to clarify the validity of insurance contract with AFP.

  On September 16, 2014, the Company received a notification dated August 27, 2014 from the Director of DSNGS informing that the case has been elevated to the Commission Proper of COA for automatic review, pursuant to Section 18.5, Chapter IV of the Rules and Regulations on the Settlement of Accounts and Section 7, Rule V of the Revised Rules of Procedure of the COA. This means that the decision of the Director of DSNGS is favorable to the Company and AFP.

  The COA Commission Proper referred the case to the COA Legal Services Sector (LSS) to review the case. As per follow up at the LSS, the Director III of the LSS had drafted a resolution and forwarded it to the Director IV of LSS. After the review of the Director IV of LSS, the case will be forwarded to the COA Legal Counsel, then the COA Legal Counsel will bring the case back to the Commission Proper for deliberation and issuance of the final resolution.

  The Commission Proper resolved against the return of institutional accounts to AFPGen in its decision dated October 19, 2016. AFPGen filed motion for reconsideration and is currently still pending.

32. Supplementary Information Required under Revenue Regulations No. 15-2010 by the Bureau of Internal Revenue

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

The following are the tax information required for the taxable year ended December 31, 2018:

A. Value Added Tax

1. Output VAT	**P22,273,226**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P185,610,217**

2. Input VAT	
Balance at January 1	P2,397,492
Current year's domestic purchases:	
Services lodged under cost of goods sold	8,545,290
Claims for tax credit/refund and other adjustments	-
Application against output vat payable	(7,676,830)
Balance at December 31	P3,265,952

B. Documentary Stamp Tax

On written policies	P26,391,744

C. Withholding Taxes

Tax on compensation and benefits	P2,944,293
Final withholding taxes	619,993
Expanded withholding taxes	4,792,375
	P8,356,661

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
Real estate taxes	P1,609
License and permit fees	149,811
Others	1,346,862
	P1,498,282

E. Tax Cases

On January 12, 2010, the Company received the Preliminary Assessment Notice from the BIR regarding the 2006 deficiency tax amounting to P25.60 million including surcharge, interest and compromise. On April 6, 2010, the Company received a Formal Letter of Demand from the BIR's pursuant to Letter of Authority dated May 7, 2008. On April 22, 2010, a protest and objection of the Formal letter of Demand was sent to BIR indicating that the Company is not liable for the said deficiency taxes or the same is much lower than the BIR's final assessment.

On the same date, the Company filed petition in the Court of Tax Appeals - Quezon City for the cancellation of tax assessment based on the abovementioned letter of demand from the BIR. The Third Division of the Court of Tax Appeals rendered its original decision dated March 13, 2014 granting Company's petition for Review. However, the same division rendered an amended decision dated September 1, 2014, which partly granted respondent BIR's motion for partial reconsideration (Re: Decision dated March 13, 2014) and modified its decision dated March 13, 2014 as well as denied Company's motion for reconsideration. As a consequence of the above mentioned amended decision dated September 1, 2014 and the decision dated March 13, 2014, the Company filed a case to the Court of Tax Appeals En Banc for the reversal and setting aside of the aforesaid decisions.

The Company received a copy of the Decision dated January 5, 2016 of the Court of Tax Appeals En Banc which partially granted the Petition for Review dated September 23, 2014. On September 6, 2016, the Company received the Comment from the Commissioner of Internal Revenue (CIR) for the dismissal of the Petition for Review dated February 29, 2016. The Company also submitted the reply regarding the contest of the CIR on September 30, 2016.

The amount to be paid in accordance with the Decision dated March 13, 2014 pertains to the basic deficiency VAT for taxable year 2006 in the amount of P3.94 million and the fifty percent (50%) Surcharge in the amount of P1.97 million imposed under Section 248 (B) of the 1997 National Internal Revenue Code, as amended; or in the total amount of P5.91 million.

In addition, petitioner is hereby required to pay (a) deficiency interest at the rate of twenty percent (20%) per annum on the basic deficiency VAT of P3.94 million. computed from April 25, 2007 until full payment; and (b) delinquency interest at the rate of twenty percent (20%) per annum on the total amount of P5.91 million and on the twenty percent (20%) deficiency interest which have accrued and computed from April 25, 2010 until full payment.

As at December 31, 2018, the Company is still waiting for the decision of Supreme Court. Nevertheless, the Company recognized provision of P10.54 million for the basic deficiency VAT as ordered by the Court of Tax Appeals.

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
AFP General Insurance Corporation
AFPGEN Bldg.
Col. Bonny Serrano Road corner EDSA
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) (the Company) as at and for the year ended December 31, 2018, and have issued our report thereon dated April 26, 2019.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. MKT 7333621
Issued January 3, 2019 at Makati City

April 26, 2019
Makati City, Metro Manila

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
Schedule of All Philippine Financial Reporting Standards (PFRSs) [which consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] Effective and Not Effective
As at December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First- time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First- time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share- based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
	Amendments to PFRS 3: Definition of a Business			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓***	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments (2014)		✓***	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓*	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

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**** These standards will be effective January 1, 2023 and were not adopted early by the Company.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 – Previously held Interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓*	
PFRS 17	Insurance Contracts		✓***	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓**	
PAS 2	Inventories			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓**	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity		✓*	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement		✓*	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 - Borrowing costs eligible for capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter- relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments		✓*	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	✓		
PIC Q&A 2016-03	Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓

* These standards will be effective January 1, 2019 and were not adopted early by the Company.
*** These standards will be effective January 1, 2020 and were not adopted early by the Company.*
**** These standards will be effective January 1, 2023 and were not adopted early by the Company.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓
PIC Q&A 2018-11	Classification of land by real estate developer			✓
PIC Q&A 2018-12	PFRS 15 implementation issues affecting the real estate industry			✓
PIC Q&A 2018-13	Conforming Changes to PIC Q&As - Cycle 2018			✓
PIC Q&A 2018-14	PFRS 15 - Accounting for Cancellation of Real Estate Sales			✓
PIC Q&A 2018-15	PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current			✓
PIC Q&A 2018-16	PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy	✓		
PIC Q&A 2019-01	Accounting for service charges under PFRS 15, Revenue from Contracts with Customers			✓
PIC Q&A 2019-02	Accounting for cryptographic assets			✓

Legends:

***Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

***Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

***Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.*

* These standards will be effective January 1, 2019 and were not adopted early by the Company.
*** These standards will be effective January 1, 2020 and were not adopted early by the Company.*
**** These standards will be effective January 1, 2023 and were not adopted early by the Company.*

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

8 5 2 3 4

COMPANY NAME

AFP GENERAL INSURANCE CORPORATION (A Wholly-Owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

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

AFPGEN Bldg. Col. Bonny Serrano Road, corner EDSA Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	N/A	N/A

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
corplan@afpgen.ph	911-9888 loc. 312	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
10	April 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Flordeliza Ocbania	fd.ocbania@afpmbai.com.ph	911-98-88	None

CONTACT PERSON's ADDRESS

AFPGEN Bldg. Col. Bonny Serrano Road corner EDSA, Quezon City

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

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

AFPGEN
www.afpgen.com
SAGOT KA NAMIN 24/7

AFP General Insurance Corporation
AFPGen Bldg. EDSA cor. Bonny Serrano Road,
Camp Aguinaldo, Quezon City, Metro Manila
Trunkline No.: (02) 911.9888 Fax Nos.: 911.3149 • 421.2286
Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **AFP General Insurance Corporation** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

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

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

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

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

Signature: ______________________
MGEN ROMEO N. DELA CRUZ AFP(RET)
(Chairman of the Board)

Signature: ______________________
BGEN CESAR M. IDIO AFP (RET), GICD
(President and CEO)

Signature: ______________________
FLORDELIZA D. OCBANIA
(OIC, Chief Financial Officer)

Signed this 8th day of April 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
RECEIVED

AFPGEN
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AFP General Insurance Corporation
AFPGen Bldg. EDSA cor. Bonny Serrano Road,
Camp Aguinaldo, Quezon City, Metro Manila
Trunkline No.: (02) 911.9888 Fax Nos.: 911.3149 • 421.2286
Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **AFP General Insurance Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________
MGEN ROMEO N. DELA CRUZ AFP(RET)
(Chairman of the Board)

Signature ______________
BGEN CESAR M. IDIO AFP (RET), GICD
(President and CEO)

Signature ______________
FLORDELIZA D. OCBANIA
(OIC, Chief Financial Officer)

Signed this 8th day of April 2019

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-910-081-000
Name	: AFP GENERAL INSURANCE CORPORATION
RDO	: 125
Form Type	: 1702
Reference No.	: 121900028978706
Amount Payable (Over Remittance)	: -3,045,835.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2018
Date Filed	: 04/13/2019
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
RECEIVED

Reference No : 121900029976708
Date Filed : April 13, 2019 08:28 AM
Batch Number : 1912558906

For BIR Use Only | BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 Page 1

1 For (X) Calendar ( ) Fiscal 2 Year Ended (MM/20YY) 12 2018	3 Amended Return? ( ) Yes (X) No	4 Short Period Return? ( ) Yes (X) No	5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT)

Part I - Background Information

6 Taxpayer Identification Number (TIN)	000 - 910 - 081 - 000
7 RDO Code	125
8 Date of Incorporation/Organization (MM/DD/YYYY)	
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	AFP GENERAL INSURANCE CORPORATION
10 Registered Address *(Indicate complete registered address)*	AFP GEN BLDG B. SERRANO RD COR EDSA SOCORRO QUEZON CITY
11 Contact Number	9128418
12 Email Address	ednaespina@afpgen.com
13 Main Line of Business	NON-LIFE INSURANCE
14 PSIC Code	6703

15 Method of Deductions: (X) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable

(Do NOT enter Centavos)

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	889,644
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	3,935,449
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	(3,045,805)
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	(3,045,805)

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (X) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)

Signature over printed name of President/Principal Officer/Authorized Representative | Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory | Number of pages filed: 8

22 ( ) Community Tax Certificate (CTC) Number (X) SEC Reg No.	85234	23 Date of Issue (MM/DD/YYYY)	10/18/1977
24 Place of Issue	MANDALUYONG	25 Amount, if CTC	0

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(If not filed with an Authorized Agent Bank)* | Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
RECEIVED

Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
000 -910 -061 -000	AFP GENERAL INSURANCE CORPORATION

Part IV - Computation of Tax		*(Do NOT enter Centavos)*
30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		239,764,674
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		207,870,887
32 Gross Income from Operation *(Item 30 Less Item 31)*		31,893,787
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		12,588,435
34 Total Gross Income *(Sum of Items 32 & 33)*		44,482,222
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	69,988,538	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	0	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	69,988,538	
OR [in case taxable under Sec 27(A) & 28(A)(1)]		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		(25,506,316)
41 Income Tax Rate		30.0%
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		0
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		889,644
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		889,644
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		3,935,449
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		(3,045,805)
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise	0	
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		(3,045,805)

Part V - Tax Relief Availment	*(Do NOT enter Centavos)*
52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent		
RG MANABAT AND COMPANY		
	56 TIN	000 - 470 - 727 - 000
57 Name of Signing Partner *(If External Auditor is a Partnership)*		
VANESSA P MACAMOS		
	58 TIN	000 - 920 - 961 - 311

59 BIR Accreditation No.	60 Issue Date *(MM/DD/YYYY)*	61 Expiry Date *(MM/DD/YYYY)*
08 -001987 -038 -2016	12/16/2016	12/16/2019

Annual Income Tax Return
Page 3 - Schedules 1 & 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
000 -810 -081 -000	AFP GENERAL INSURANCE CORPORATION

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	239,764,674
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	239,764,674
5 Less: Sales Returns, Allowances and Discounts	0
6 **Net Sales/Revenues/Receipts/Fees** *(Item 4 Less Item 5) (To Part IV Item 30)*	239,764,674

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 **Cost of Goods Manufactured and Sold** *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services
(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	35,514,339
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	113,569,156
25 Direct Charges - Others	58,787,392
26 **Total Cost of Services** *(Sum of Items 20 to 25) (To Item 27)*	207,870,887
27 **Total Cost of Sales/Services** *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	207,870,887

Annual Income Tax Return Page 4 - Schedules 3 & 4	BIR Form No. 1702-RT June 2013	1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
000 - 010 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1 RENT INCOME	1,667,744
2 OTHER INCOME	4,776,157
3 COMMISSION INCOME	6,142,534
4 Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 33)*	12,586,436

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	1,042,449
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	0
7 Commissions	0
8 Communication, Light and Water	4,036,416
9 Depletion	0
10 Depreciation	4,308,264
11 Director's Fees	4,400,908
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	166,812
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	0
20 Office Supplies	3,838,614
21 Other Services	1,909,456
22 Professional Fees	1,762,990
23 Rental	979,557
24 Repairs and Maintenance - (Labor or Labor & Materials)	3,091,876
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	4,277,297
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	10,727,319

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No. 1702-RT June 2013

1702-RT06/13P5

Taxpayer Identification Number (TIN)	Registered Name
000 - 810 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	1,110,794
32 Taxes and Licenses	1,488,262
33 Tolling Fees	0
34 Training and Seminars	193,335
35 Transportation and Travel	4,742,216
Others *(Specify below; Add additional sheet(s), if necessary)*	
36 SALES INCENTIVES	487,032
37 ASSOCIATION DUES	449,180
38 MEETINGS AND CONFERENCES	145,977
39 OTHER EXPENSES	20,219,764
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	69,988,538

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	44,482,222
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	69,988,538
3 Net Operating Loss *(To Schedule 6A)*	(25,506,316)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		
Year Incurred	A) Amount	B) NOLCO Applied Previous Year
4 2018	25,506,316	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4 0	0	25,506,316
5 0	0	0
6 0	0	0
7 0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*	0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No. 1702-RT June 2013

1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
000 -910 -081 -000	AFP GENERAL INSURANCE CORPORATION

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	3,343,523
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	249,820
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	342,106
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits *(To Part V Item 53)*	0
Other Credits/Payments *(Specify)*	
10	0
11	0
12 **Total Tax Credits/Payments** *(Sum of Items 1 to 11) (To Part IV Item 45)*	3,935,449

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT** *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*		0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	(25,506,316)
Add: Non-deductible Expenses/Taxable Other Income	
2	0
3	0
4 **Total** *(Sum of Items 1 to 3)*	(25,506,316)
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5	0
6	0
B) Special Deductions	
7	0
8	0
9 **Total** *(Sum of Items 5 to 8)*	0
10 **Net Taxable Income (Loss)** *(Item 4 Less Item 9)*	(25,506,316)

Annual Income Tax Return

Page 7 - Schedules 10 & 11

BIR Form No. **1702-RT** June 2013

1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
000 -910 -081 -000	AFP GENERAL INSURANCE CORPORATION

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	423,934,250
2 Long-Term Investment	532,958,110
3 Property, Plant and Equipment - Net	19,324,738
4 Long-Term Receivables	0
5 Intangible Assets	0
6 Other Assets	72,658,840
7 Total Assets *(Sum of Items 1 to 6)*	1,048,875,938

Liabilities and Equity	
8 Current Liabilities	393,907,629
9 Long-Term Liabilities	0
10 Deferred Credits	0
11 Other Liabilities	265,686,811
12 Total Liabilities *(Sum of Items 8 to 11)*	659,594,440
13 Capital Stock	250,000,000
14 Additional Paid-in Capital	173,140,704
15 Retained Earnings	(33,859,206)
16 Total Equity *(Sum of Items 13 to 15)*	389,281,498
17 Total Liabilities and Equity *(Sum of Items 12 & 16)*	1,048,875,938

Schedule 11- ✓ **Stockholders** ☐ **Partners** ☐ **Members Information** (Top 20 Stockholders, partners or Members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
AFPMBAI	000 - 848 - 475 - 000	249,990	99.9
MGEN ROMEO N DELA CRUZ AFP(RET)	127 - 305 - 884 - 000	1,000	0.01
BGEN CESAR M IDIO AFP(RET) GICD	138 - 905 - 363 - 000	1,000	0.01
BGEN RAMON S OCHOCO AFP(RET)	165 - 026 - 115 - 000	1,000	0.01
BGEN SER-ME L AYUYAO AFP	300 - 895 - 585 - 000	1,000	0.01
MS ANNIE D ARCE	120 - 398 - 607 - 000	1,000	0.01
ATTY MARICARR M MIRABEL	215 - 926 - 222 - 000	1,000	0.01
MR JOSE LUIS MORENO	123 - 034 - 548 - 000	1,000	0.01
PROF JOSE NAVARRO	121 - 501 - 339 - 000	1,000	0.01
MS CORAZON BUMANGLAG	115 - 321 - 977 - 000	1,000	0.01
ATTY MARIA CECILIA A CAPA	116 - 320 - 730 - 000	1,000	0.01
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		

Annual Income Tax Return
Page 8 - Schedules 12 & 13

BIR Form No. 1702-RT June 2013

1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
000 - 910 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Schedule 12 - Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	0	0
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind *(PS/CS)*/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	0

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devises	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

eSubmission Validation Report

From: esubmission (esubmission@bir.gov.ph)

To: pasiareyneson1975@yahoo.com

Date: Monday, April 29, 2019, 10:39 PM GMT+8

ACKNOWLEDGEMENT RECEIPT NUMBER: 20190429-B285028

This is to confirm receipt of the file(s) as stated below:

Total attachment/file(s) received : 2

No. of valid file(s) : 2
No. of invalid file(s) : 0

We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 4/25/2019 3:01:18 PM
Filename(s):

1. Attachment : 000910081000012201817O2Q.ZIP
   A. 000910081000012201817O2Q.DAT - VALID
      CONFIRMATION RECEIPT NUMBER - 2019-0000767940
2. Attachment : 000910081000012201817O2Q.DAT
   000910081000012201817O2Q.DAT - VALID
      CONFIRMATION RECEIPT NUMBER - 2019-0000767941

VALIDATION REPORT:

1. Attachment : 000910081000012201817O2Q.ZIP
   A. Attachment (zipped): 000910081000012201817O2Q.DAT
      TIN of Withholding Agent TIN: 000910081-0000
      Alphalist Form : 1702Q
      Taxable Month : 12/2018

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
RECEIVED

2. Attachment : 000910081000012201817O2Q.DAT

TIN of Withholding Agent TIN: 000910081-0000
Alphalist Form : 1702Q
Taxable Month : 12/2018

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

Thank You.

This is a system generated report. For inquiries, please email us at contact_us@bir.gov.ph or call us at 981-7020 / 981-7030 / 981-7046 / 981-7040 / 981-7003.

SWORN DECLARATION

REPUBLIC OF THE PHILIPPINES
METRO MANILA
QUEZON CITY

I, WILSON C. PASIA., Filipino, of legal age, designated as Accounting Supervisor of General Insurance Corporation, with business address located at AFPGEN Building Col Bonny S Serrano Road corner EDSA, Camp Aguinaldo, Quezon City, do hereby certify the following:

1. That in compliance with the requirements of Revenue Regulation no 2-2015, submitted herewith is 1 DVD-R containing 94 scanned BIR Form 2307 covering the period October 1, 2018 to December 31, 2018;

2. That the contents of the DVD-Rs being submitted herewith conform to the conditions/specification requirements set by the Bureau of Internal Revenue;

3. That the soft copies of the BIR Form 2307 contained in the DVD-R being submitted herewith are the complete and exact copies of the original thereof.

I HEREBY DECLARE UNDER THE PENALTIES OF PERJURY THAT THE FOREGOING ATTESTATIONS ARE TRUE AND CORRECT.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ... DIVISION
Date APR 30 2019
RECEIVED

WILSON C. PASIA
TIN: 161-005-493

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in Quezon City, Philippines and this 24th of April 2019, affiant exhibiting to me his Tax Identification Number 161-005-493.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

Doc No. 265;
Page No. 54;
Book No. III;
Series of 2019.

ATTY. CHRIST... ...PILLOS
Notary Public
Until December 31, 2019
AFPGen Bldg. Col. Bonny Serrano Road
Cor. EDSA, Camp Aguinaldo, Quezon City
PTR No. 11320431A/Rizal/January 3, 2019
IBP No. 060402/QC/January 4, 2019
Roll No. 64083