

**SGI PHILIPPINES**  
**GENERAL INSURANCE COMPANY, INC.**  
(Formerly: Monarch Insurance Company, Inc.)

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**



**TEODORO SANTAMARIA CANLAS & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Suite 2108 Cityland 10 Tower 1  
156 H. V. Dela Costa Street, Salcedo Village  
1226 Makati City, Philippines  
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Member:



**PrimeGlobal**

*An Association of  
Independent Accounting Firms*

## **Report of Independent Auditors**

### **The Board of Directors and Stockholders**

#### **SGI Philippines General Insurance Company, Inc.**

15<sup>th</sup> Floor, Citibank Tower

8741 Paseo de Roxas

Makati City, Philippines

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **SGI Philippines General Insurance Company, Inc.** as of **December 31, 2014**, and the results of its financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

### Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 29 of the Notes to financial statements is presented for the purpose of filing with the Bureau of Internal Revenue under Revenue Regulation Nos. 15-2010 and 19-2011 and the supplementary information provided in Schedules 1 and 2 as at December 31, 2014 and for the year then ended as required by the Securities and Exchange Commission under the revised Securities and Regulations Code (SRC) Rule are presented as additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other matters

The financial statements of SGI Philippines General Insurance Company, Inc. as at and for the year ended December 31, 2013, which are presented herein for comparative purposes, were audited by another firm of Independent Certified Public Accountants whose report dated March 11, 2014 expressed an unqualified opinion.

**TEODORO SANTAMARIA CANLAS & CO.**

By:  **Rachel Lydia T. Santamaria**

Partner

CPA License No. 083524

Valid until December 9, 2017

BOA/PRC Registration No. 5593

Valid until December 31, 2017

SEC Accreditation No. 1116-AR-1

Valid until May 5, 2017

I.C. Accreditation No. 1116-A

Valid until October 17, 2015

BIR A.N. 08-003408-2-2013

Valid until March 5, 2016

T.I.N. 102-921-088

PTR No.4763321 / Makati City

January 20, 2015

April 7, 2015

Makati City, Philippines


**Report of Independent Auditor**  
**To Accompany Income Tax Return**

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

We have audited the financial statements of **SGI Philippines General Insurance Company, Inc.** (the Company) for the year ended December 31, 2014, on which we have rendered the attached report dated April 7, 2015.

In compliance with Revenue Regulations V-1, we are stating that no partner of our Firm is related by consanguinity or affinity to the President or any principal stockholders and officers of the Company.

**TEODORO SANTAMARIA CANLAS & CO.**

By:  Rachel Lydia T. Santamaria  
Partner  
CPA License No. 083524  
Valid until December 9, 2017  
BOA/PRC Registration No. 5593  
Valid until December 31, 2017  
SEC Accreditation No. 1116-AR-1 (Individual)  
Valid until May 5, 2017  
BIR A.N. 08-003408-2-2013 (Individual)  
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T.I.N. 102-921-088  
PTR No. 4763321 / Makati City  
January 20, 2015

April 7, 2015  
Makati City, Philippines

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**

(Formerly: Monarch Insurance Company, Inc.)

(A Non-life Insurance Company)

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Notes	2014	2013
(In Philippine Peso)			
<b>Assets</b>			
Cash and cash equivalents	7	<b>73,284,549</b>	181,024,695
Insurance receivables	8	<b>146,582,779</b>	129,650,258
Available-for-sale financial assets	9	<b>181,120,627</b>	65,807,593
Property and equipment - net	10	<b>46,394,790</b>	49,117,876
Deferred acquisition cost	11	-	4,291,544
Deferred reinsurance premium	12	<b>36,317,683</b>	10,731,913
Deferred tax assets	25	<b>10,406,822</b>	10,036,605
Other assets	13	<b>8,751,440</b>	6,968,207
<b>Total Assets</b>		<b>502,858,690</b>	457,628,691
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance liabilities	14	<b>104,817,565</b>	63,609,072
Accounts and other payables	15	<b>11,479,244</b>	6,174,767
Retirement benefit liability	23	<b>571,104</b>	571,104
Deferred acquisition cost	11	<b>2,094,032</b>	-
Deferred tax liability	25	<b>732,310</b>	2,572,033
Income tax payable		<b>23,613</b>	-
<b>Total liabilities</b>		<b>119,717,868</b>	72,926,976
<b>Equity</b>			
Common stock	16	<b>350,457,200</b>	350,457,200
Share premium	16	<b>26,835,235</b>	28,057,635
Revaluation reserve on AFS financial assets	9	<b>2,053,101</b>	2,053,101
Actuarial gains on retirement benefit liability, net	17	<b>624,406</b>	624,406
Revaluation increment in property	10	<b>19,160,854</b>	19,993,934
Deficit		<b>(15,532,774)</b>	(16,027,361)
Treasury shares		<b>(457,200)</b>	(457,200)
<b>Total equity</b>		<b>383,140,822</b>	384,701,715
<b>Total Liabilities and Equity</b>		<b>502,858,690</b>	457,628,691

See accompanying notes to financial statements.

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

**STATEMENTS OF COMPREHENSIVE INCOME**

		<b>For the years ended December 31</b>	
	Notes	<b>2014</b>	<b>2013</b>
		(In Philippine Peso)	
<b>Revenues</b>			
Gross premiums written	18	<b>100,944,737</b>	54,686,573
Reinsurance premium ceded		<b>(55,658,609)</b>	(21,087,753)
Net premiums retained		<b>45,286,128</b>	33,598,820
(Increase)/Decrease in reserved for unearned premiums		<b>(1,840,868)</b>	4,820,063
Premiums earned		<b>43,445,260</b>	38,418,883
Commissions earned		<b>5,459,824</b>	2,573,889
Gross underwriting income	18	<b>48,905,084</b>	40,992,772
Underwriting deductions	19	<b>(28,899,042)</b>	(22,164,455)
Net underwriting income		<b>20,006,042</b>	18,828,317
Other income	20	<b>8,064,384</b>	2,663,425
<b>Gross profit</b>		<b>28,070,426</b>	21,491,742
<b>Operating Expenses</b>			
General and administrative expenses	21	<b>(27,232,041)</b>	(20,905,638)
Interest expense		<b>(80,926)</b>	(104,004)
<b>Total Expense</b>		<b>(27,312,967)</b>	(21,009,642)
<b>Net income</b>		<b>757,459</b>	482,100
<b>Income Tax (Expense)/ Benefit</b>	25		
Current		<b>(300,134)</b>	-
Final		<b>(1,908,161)</b>	(788,491)
Deferred		<b>2,467,933</b>	957,500
		<b>259,638</b>	169,009
Net profit		<b>1,017,097</b>	651,109
<b>Other comprehensive income that do not recycle to profit or loss in subsequent periods:</b>			
Actuarial gain on retirement benefit plan	17	<b>-</b>	1,020,721
<b>Total comprehensive income</b>		<b>1,017,097</b>	1,671,830
<b>Earnings Per Share</b>		<b>1.16</b>	1.14

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**

(Formerly: Mornarch Insurance Company, Inc.)

(A Non-life Insurance Company)

**STATEMENTS OF CHANGES IN EQUITY**

	<b>Common stock</b> (Note 16)	<b>Share premium</b> (Note 16)	<b>Treasury shares</b>	<b>Deposit for future subscription</b>	<b>Revaluation reserve on AFS financial asset</b> (Note 9)	<b>Revaluation increment on property and equipments</b> (Note 10)	<b>Actuarial gain/(loss) on retirement benefit obligation</b> (Note 17)	<b>Deficit</b>	<b>Total</b>
	(In Philippine Peso)								
Balances, January 1, 2013 as restated	136,506,944	-	(2,122,347)	57,116,380	2,053,101	20,827,014	(396,315)	(10,407,870)	203,576,907
Share premium movement	(30,529,744)	30,529,744	-	-	-	-	-	-	-
Treasury share movement		(1,665,147)	1,665,147	-	-	-	-	-	-
Additional deposits for future subscription	-	-	-	187,365,168	-	-	-	-	187,365,168
Subscription of capital stock	244,480,000	1,548		(244,481,548)	-	-	-	-	-
Attributable cost of issuance of stocks	-	(808,510)	-	-	-	-	-	-	(808,510)
Depreciation of property and equipment	-	-	-	-	-	(833,080)	-	-	(833,080)
Prior period adjustments	-	-	-	-	-	-	-	(6,270,600)	(6,270,600)
Total comprehensive income	-	-	-	-	-	-	1,020,721	651,109	1,671,830
Balances, December 31, 2013	350,457,200	28,057,635	(457,200)	-	2,053,101	19,993,934	624,406	(16,027,361)	384,701,715
Attributable cost of issuance of stocks		(1,222,400)	-	-	-	-	-	-	(1,222,400)
Expired excess MCIT	-	-	-	-	-	-	-	(522,510)	(522,510)
Total comprehensive income	-	-	-	-	-	-	-	1,017,097	1,017,097
Depreciation of property and equipment	-	-	-	-	-	(833,080)	-	-	(833,080)
<b>Balances, December 31, 2014</b>	<b>350,457,200</b>	<b>26,835,235</b>	<b>(457,200)</b>	<b>-</b>	<b>2,053,101</b>	<b>19,160,854</b>	<b>624,406</b>	<b>(15,532,774)</b>	<b>383,140,822</b>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

		For the years ended December 31	
	Notes	2014	2013
(In Philippine Peso)			
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>757,459</b>	482,100
Adjustments for:			
Depreciation	21	<b>1,976,211</b>	2,285,780
Decrease in deferred acquisition costs	11	<b>6,385,576</b>	889,500
Decrease/ (Increase) in reserve for unearned premiums	18	<b>1,840,868</b>	(4,820,063)
Dividend income	20	-	(35,668)
Interest income	20	<b>(8,064,384)</b>	(2,627,757)
Retirement benefit expense/ provision	21, 23	<b>560,144</b>	352,600
Interest expense on notes payable		<b>80,926</b>	104,004
Operating income/(loss) before working capital changes		<b>3,536,800</b>	(3,369,503)
(Increase)/Decrease in insurance receivables	8	<b>(16,932,521)</b>	428,489
Increase in other assets	13	<b>(299,153)</b>	(386,152)
Increase/(Decrease) in insurance contract liabilities	14	<b>13,781,855</b>	(3,358,839)
Increase in accounts and other payables	15	<b>5,304,477</b>	2,066,502
Net cash provided by /(used in) operations		<b>5,391,458</b>	(4,619,503)
Prior period adjustments		-	(6,270,600)
Retirement benefits paid		<b>(560,144)</b>	-
Income taxes paid	25	<b>(2,449,200)</b>	(1,018,456)
Net cash provided by/ (used in) operating activities		<b>2,382,114</b>	(11,908,559)
<b>Cash flows from investing activities</b>			
Acquisition of government bonds	9	<b>(116,793,545)</b>	(28,211,390)
Acquisition of property and equipment - net	10	<b>(86,205)</b>	(52,684)
Dividends earned	20	-	35,668
Interest income earned	20	<b>8,060,815</b>	2,627,757
Net cash used in investing activities		<b>(108,818,935)</b>	(25,600,648)
<b>Cash flows from financing activities</b>			
Receipt of deposit for future subscription		-	187,365,168
Attributable cost on issuance of capital stocks	16	<b>(1,222,400)</b>	(808,510)
Payments of notes payable		-	(143,500)
Interest paid		<b>(80,926)</b>	(104,004)
Net cash (used in)/ provided by financing activities		<b>(1,303,326)</b>	186,309,154
Net (decrease)/increase in cash and cash equivalents		<b>(107,740,147)</b>	148,799,947
Cash and cash equivalents, January 1	7	<b>181,024,695</b>	32,224,748
Cash and cash equivalents, December 31	7	<b>73,284,548</b>	181,024,695

See accompanying notes to financial statements.

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

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

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**1. Corporate information**

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

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

As at December 31, 2014, the Company's total paid-up capital is 51.14% owned by Shriram General Insurance Co. Ltd., a corporation organized under the laws of India, and 12.10% owned by Bharath Investment Pte. Ltd., a corporation organized and existing under the laws of Singapore. The ownership of the rest of the stockholders ranges from less than 1% to 8.65%.

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

**2. Summary of significant accounting policies**

Statement of compliance

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

Basis of preparation

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

Functional and presentation currency

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

The following are New Standards, Amendments, and Interpretations to Existing Standards effective for financial statements as at and for the period ended December 31, 2014 which were approved for adoption by the BOA:

- PFRS 10, 12 and PAS 27, Consolidation for investment activities. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made on PFRS 12 to introduce disclosures that an investment entity needs to make. These amendments are not applicable to the Company.
- PAS 32, Financial Instruments- Presentation, on asset and liability offsetting. These amendments are to the application guidance on PAS 32, 'Financial instruments: Presentation,' and clarify some of the requirements of offsetting financial assets and financial liabilities on the balance sheet. The amendment has no effect on the current and prior period financial statements.
- PAS 36, Impairment on assets on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendment has no effect on the current and prior period financial statements. Additional disclosures and accounting policy were introduced accordingly.
- PAS 39, Financial instruments: recognition and measurement on novation of derivatives. This amendment provides relief from discounting hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment is not applicable to the Company.
- Philippine Interpretation IFRIC 21, Levies. This is an interpretation of PAS 37, 'Provisions, contingent liabilities and contingent assets', PAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognized. This interpretation is not applicable to the Company.
- Annual Improvements to PFRSs (2010-2012 Cycle) PFRS 13 Fair Value. This amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial. The amendment has no effect on the current and prior period financial statements.
- Annual Improvements to PFRSs (2011-2013 Cycle) PFRS 1, First Time Adoption of PFRSs basis of conclusions. This amendment clarifies that where a new standard is not mandatory but available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. The amendment has no effect on the current and prior period financial statements.

The following are New Accounting Standards, Interpretations and Amendments to Existing Standards effective subsequent to January 1, 2014 but has yet to be approved or effectivity dates were deferred by the BOA for adoption:

The Company has not early adopted any of these new pronouncements and has yet to assess the impact of these new pronouncements.

- PAS 16, 'Property, Plant and Equipment' and PAS 38, 'Intangible Assets': Depreciation and Amortization (Effective date January 1, 2016). This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- PAS 16, 'Property, Plant and Equipment' and PAS 41, 'Agriculture': Bearer Plants (Effective date January 1, 2016). These amendments change the reporting for the bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of a manufacturing. The amendments include them in the scope of PAS 16 rather than PAS 41. The produce of bearer plant will remain at the scope of PAS 41.
- PAS 19, Employee benefits regarding employee or third party contributions to defined benefit plans (Effective July 1, 2014). The amendment applies to contributions from the employees or third parties to defined benefit plan and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service only for more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives.
- PAS 27, Separate Financial Statements: Equity Method (Effective Date January 1, 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- PFRS 10 and PAS 28, Regarding the sale or contribution of assets between an investor and its associate or joint venture. (Effective January 1, 2016). These amendments address an inconsistency between PFRS 10 and PAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.
- PFRS 11, Joint Arrangements regarding acquisition of an interest in a joint operation (Effective January 1, 2016). This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

The amendment is applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- PFRS 14, Regulatory Deferral Accounts (Effective date January 1, 2016). This standard permits first-time adopters on PFRS to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt PFRS. However, to enhance comparability with entities that already apply PFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Annual Improvements to PFRSs (2010-2012 Cycle) effective for annual periods beginning on or after July 1, 2014

- PFRS 2, Share Based Payments. Clarifies the definition of a ‘vesting condition’ and separately defines ‘performance condition’ and ‘service condition’.
- PFRS 3, Business combinations. Clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions of PAS 32, ‘Financial Instruments: Presentation’. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognized in profit or loss.
- PFRS 8 Operating Segments. This amendment requires disclosure of judgments made by the management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity’s assets when segment assets are reported.
- PAS 16, Property, Plant and Equipment, PAS 38 Intangible Assets. These amendments clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses revaluation model.
- PAS 24, Related Party Disclosures. This is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). Disclosure of the amounts charged to the reporting entity is required.

Annual Improvements to PFRSs (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014

- PFRS 3, Business Combinations. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint venture under PFRS 11.
- PFRS 13, Fair Value Measurement. This is amended to clarify that the portfolio exception in PFRS 13 applies to all contracts (including non-financial contracts) within the scope of PAS 39 or PFRS 9.
- PAS 40, Investment Property. It is amended to clarify that PAS 40 and PFRS 3 are not mutually exclusive. PAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in PFRS 3 to determine whether the acquisition of an investment property is a business combination.

Annual Improvements to PFRSs (2011-2013 Cycle) effective for annual periods beginning on or after January 1, 2016

- PFRS 5, Non-current assets held for sale and discontinued operations. The amendment clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as held for sale.
- PFRS 7, Financial Instruments Disclosure. These are the two amendments: (1) Servicing contracts - If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, PFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to PFRS 1 to give the same relief to first-time adopters. (2) Interim Financial Statements - the amendment clarifies that the additional disclosure required by the amendments to PFRS 7, 'Disclosure- Offsetting financial assets and financial liabilities' is not specifically required to all interim period unless required by PAS 34. This amendment is retrospective.
- PAS 19, Employee Benefits. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.
- PAS 34 Interim Financial Reporting. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends PAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

New Accounting Standards, Interpretations and Amendments to Existing Standards with deferred effective date

- PFRS 15 Revenue from contracts with customer. This is the converged standard on revenue recognition. It replaces PAS 11, 'Construction contracts', PAS 18, 'Revenue' and related interpretations. Revenue is recognized when a customer obtains a control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or service. The core principle of PFRS 15 is that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps.

Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

PFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers.

**New Accounting Standards, Interpretations and Amendments to Existing Standards with no mandatory effectivity date**

- PFRS 9, Financial Instruments (Early application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date initial application before February 1, 2015 continue to have the option to apply the standard in phases). The complete version of PFRS 9 replaces most of the guidance in PAS 39. PFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value on OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. PFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under PAS 39.

**Significant accounting policies**

**Cash and cash equivalents**

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

**Foreign currency translation**

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

### Financial instruments

#### Date of recognition

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

#### Initial recognition of financial instruments

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

The Company has no financial asset and liabilities at FVPL, HTM investments or derivatives for the years ended December 31, 2014 and 2013.

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

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not held for trading.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included under "Investment Income" account in profit or loss. The losses arising from impairment are recognized in Provision for impairment in the statements of comprehensive income.

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

As of December 31, 2014 and 2013, the Company's loans and receivables include cash and cash equivalents, and other assets.

Other financial receivables

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

Available –for-sale financial assets

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

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

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

Derecognition of financial assets

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

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

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

#### Impairment of financial assets

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

#### Impairment of financial assets at amortized cost

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

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

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

#### Impairment of AFS financial assets

The Company assesses at each reporting date whether there is objective evidence that an AFS financial asset or a group of AFS financial assets is impaired. For equity investments classified as AFS financial assets, objective evidence of impairment would include a significant or prolonged decline in fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income, is removed from the other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the statement of comprehensive income. Increases in fair value after impairment are recognized in other comprehensive income.

#### Impairment of insurance receivable

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

#### Fair value measurement

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

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

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

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

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

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

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

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

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

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

#### Other financial liabilities

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of interest expense in the statements of comprehensive income. Any effect of restatement of foreign currency-denominated liabilities is recognized in foreign exchange gains/(losses) account in the statements of comprehensive income.

As at December 31, 2014 and 2013, the Company's other financial liabilities include insurance liabilities and accounts and other payables.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

#### Offsetting of financial instruments

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

#### Product classification

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

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

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

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

#### Insurance contract

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

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

#### Contract classification

The company issues short-term insurance contracts categorized as:

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

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

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

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

Deferred acquisition costs

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

Claim cost recognition

Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

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

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

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

Liability adequacy test

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

Reinsurance

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

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

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

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

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as

they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balance due to reinsurance companies, which are included in insurance payable account in the Statement of financial position. Amounts payable are estimated in a manner consistent with the associated insurance contract.

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

#### Property and equipment

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

Office premises and improvements	40 years
Furniture and fixtures	10 years
Transportation and computer equipment	5 years

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

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

#### Derecognition of property and equipment

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

#### Impairment of non-financial assets

The Company's non-financial assets are tested for impairment at least every reporting period.

The Company makes an assessment at each reporting period as to whether there is an indication of impairment of its assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The fair value is the amount obtainable from sale of an asset in an arm's length transaction while recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflow (cash – generating units).

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

#### Related party relationships and transactions

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

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

#### Equity

Capital stock is determined using the nominal value of shares that have been issued.

Share premium represents the excess of consideration received when the Company issues shares over its par. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

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

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

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

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

#### Revenue recognition

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

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

- Commissions income are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24<sup>th</sup> method, except for marine cargo insurance contracts where the deferred portion pertains to the commissions for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting period is accounted for as “Deferred reinsurance commissions” and presented in the liabilities section of the statement of financial position.
- Dividend income is recognized when the right to receive dividends is established;
- Interest income is recognized as the interest accrues (taking into account the effective yield on the interest);

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

#### Expense recognition

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

#### Leases

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

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

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

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

#### Retirement benefit costs

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

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

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

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

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

#### Income taxes

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

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

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

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

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

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

Under the present Revenue Code, MCIT of two percent (2%) of the gross income as of the end of the taxable year is hereby imposed on a corporation beginning on the fourth year immediately following the year in which such corporation commenced its business

operations, when the income tax computed based on MCIT is greater than the tax computed as normal tax under Subsection (A) of Section 27 of the Code, for the taxable year.

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

#### Earnings per share

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

#### Provisions and contingencies

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required if settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

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

Contingent liabilities are not recognized in the financial statements, however, they are disclosed if material. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

#### Events after the reporting period

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

### **3. Significant accounting judgments and estimates**

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

Critical judgments in applying accounting policies

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

Determination of functional and presentation currency

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

Determination of operating lease

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

Rental expense amounted to P1,419,131 in 2014 and P1,127,367 in 2013 (Please see Note 21).

Categories of financial instruments

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

Impairment of financial assets

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

Provisions and contingencies

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

Estimates

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its December 31, 2014 and 2013 financial statements:

Valuation of financial instruments

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

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

Allowance for impairment losses of receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment losses amounted to P22,223,141 in both 2014 and 2013.

Useful life of property and equipment

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

Property and equipment, net of accumulated depreciation, amounted to P46,394,790 in 2014 and P49,117,876 in 2013 (Please see Note 10).

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on Management's assessment, there is no impairment loss on non-financial assets needed to be recognized in 2014 and 2013.

Realizable amount of deferred income tax assets

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

Deferred income tax assets amounted to P10,406,822 and P10,036,605 in 2014 and 2013, respectively (Please see Note 25).

Liability for insurance claims

Estimates have been made both of expected ultimate cost of claims reported at the reporting period and for the expected ultimate cost of the claims incurred but not yet reported at the reporting period. It can take significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, unreported claims significantly comprise the claims payable presented in the Statement of financial position. At each

reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to the Statement of comprehensive income at a non-discounted amount for the time value of money.

Insurance claims payable of December 31, 2014 and 2013 amounted to P17,465,693 and P22,427,637, respectively. (Please see Note 14).

#### Employee retirement benefits

The determination of Monarch Insurance Company, Inc.'s obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future periods.

The estimated retirement benefits obligation amounted to P571,104 in 2014 and 2013. Accumulated actuarial gains and losses, net of tax, amounted to P624,406 gain in 2014 and 2013 and retirement benefits expense amounted to P 560,144 in 2014 and P352,600 in 2013.

#### **4. Risk management objectives and policies**

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

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

##### Insurance risk

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

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

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

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

- Risk-based capital framework that will effectively manage the equity requirement of the Company
- Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities
- A mandatory reserve of highly-liquid debt instruments to answer the claims of policyholders and creditors
- And minimum statutory net worth to streamline the operation of insurance industry.

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

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

The concentration of insurance claims as of December 31, 2014 and 2013 are as follows:

2014				
	Gross	RI Recoverable	Net Liability	%
Fire	4,653,225	4,065,283	587,942	7%
Motor Car	6,731,068	995,215	5,735,853	65%
Engineering	3,142,575	1,485,263	1,657,311	19%
Marine	850,000	690,625	159,375	2%
Medical	902	-	902	0%
PA	339,039	-	339,039	4%
Miscellaneous	1,748,884	1,462,715	286,169	3%
	17,465,693	8,699,101	8,766,591	100%
2013				
	Gross	RI Recoverable	Net Liability	%
Fire	10,136,833	6,045,059	4,091,774	34%
Motor Car	8,872,316	2,178,049	6,154,267	52%
Engineering	2,142,904	1,054,650	1,088,254	9%
Marine	850,000	690,625	159,375	1%
Medical	362,027	-	362,027	3%
PA	22,590	-	22,590	0%
Miscellaneous	40,967	24,580	16,387	1%
	22,427,637	9,992,963	11,894,674	100%

### Financial risk

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

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

### Market risk

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

### Interest rate risk

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

The following table demonstrates sensitivity of the Company's profit before tax and equity to reasonable possible changes in interest rate of +10/-10 and +100/-100 basis points of the Company's cash in banks and notes payable, respectively, on December 31, 2014 and 2013. These changes are considered to be reasonably possible based on observation of current market conditions. All other variables are held constant.

	Change in	Effect on		Change in	Effect on	
	basis points	Net results	Equity	basis points	Net results	Equity
<b>2014</b>						
Financial assets						
Cash and						
cash equivalents	+10	7,210	5,768	-10	(7,210)	(5,768)
Government bonds	+100	17,761,155	14,208,924	-100	(17,761,155)	(14,208,924)
		17,768,365	14,214,692		(17,768,365)	(14,214,692)
<b>2013</b>						
Financial assets						
Cash in bank	+10	18,608	14,886	-10	(18,608)	(14,886)
Cash equivalent	+10	160,427	128,342	-10	(160,427)	(128,342)
Government bonds	+100	6,229,851	4,983,881	-100	(6,229,851)	(4,983,881)
		6,408,886	5,127,109		(6,408,886)	(5,127,109)

### Foreign currency risks

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

### Credit risks

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

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

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

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

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

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

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

The table below shows the credit quality of financial assets as at December 31, 2014 and 2013:

2014	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	73,284,549	-	-	-	-	73,284,549
Insurance receivable	24,267,799	16,498,200	105,816,780	22,223,141	(22,223,141)	146,582,779
AFS financial assets	175,011,051	3,161,216	2,948,360	-	-	181,120,627
Other assets	285,834	8,465,606	-	-	-	8,751,440
	272,849,233	28,125,022	108,765,140	22,223,141	(22,223,141)	409,739,395
2013	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	181,024,695	-	-	-	-	181,024,695
Insurance receivable	19,923,184	16,362,506	93,364,568	22,223,141	(22,223,141)	129,650,258
AFS financial assets	59,698,017	3,161,216	2,948,360	-	-	65,807,593
Other assets	344,556	6,623,651	-	-	-	6,968,207
	260,990,452	26,147,373	96,312,928	22,223,141	(22,223,141)	383,450,753

High grade receivables pertain to receivables with high collectivity, standard and low grade receivables consists of receivable with delay in payments. High grade AFS consists of government bonds and investment in quoted equities, standard grade pertain to investment in unquoted equity shares and low grade pertain to garnished investment in bonds.

As of December 31, 2014 and 2013, the carrying amount of insurance receivables represents the maximum credit exposures, which is aged as follows:

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurer	Total
<b>2014</b>				
Current	6,921,444	10,617,473	32,541	17,571,459
30 days past due not over 90 days	5,044,462		1,651,877	6,696,340
90 days past due not over 120 days	1,055,458		4,890,156	5,945,614
Over 120 days	71,134,669		45,234,698	116,369,367
<b>Total</b>	<b>84,156,034</b>	<b>10,617,473</b>	<b>51,809,272</b>	<b>146,582,779</b>
<b>2013</b>				
Current	1,500,247	10,532,963	37,378	12,070,588
30 days past due not over 90 days	2,911,726	-	4,940,870	7,852,596
90 days past due not over 120 days	707,892	-	403,516	1,111,408
Over 120 days	72,221,736	-	36,393,930	108,615,666
<b>Total</b>	<b>77,341,601</b>	<b>10,532,963</b>	<b>41,775,694</b>	<b>129,650,258</b>

#### Liquidity risks

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

The Company's objective in managing its profile is:

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

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

	2014	2013
Insurance liabilities	104,817,565	63,609,072
Accounts and other payables	11,479,244	6,174,767
	<b>116,296,809</b>	<b>69,783,839</b>

## 5. Categories of fair values of financial assets and liabilities

### Comparison of carrying values and fair values

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

	2014		2013	
	Carrying values	Fair values	Carrying values	Fair values
Financial assets				
Loans and receivables				
Cash and cash equivalents	73,284,549	73,284,549	181,024,695	181,024,695
Other assets	8,751,440	8,751,440	6,968,207	6,968,207
AFS financial assets	181,120,627	181,120,627	65,807,593	65,807,593
Other financial asset		-		
Insurance receivable	146,582,779	146,582,779	129,650,258	129,650,258
	<b>409,739,395</b>	<b>409,739,395</b>	<b>383,450,753</b>	<b>383,450,753</b>
Other financial liabilities				
Insurance liabilities	104,817,565	104,817,565	63,609,072	63,609,072
Accounts and other payables	11,479,244	11,479,244	6,174,767	6,174,767
	<b>116,296,809</b>	<b>116,296,809</b>	<b>69,783,839</b>	<b>69,783,839</b>

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

The fair values of AFS financial assets are based on the quoted market price in the PSE for quoted shares while the unquoted shares are carried at carrying amount which approximate its fair value as at December 31, 2014 and 2013.

### Fair value hierarchy measurement

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

	Level 1	Level 2	Level 3	Total
<b>December 31, 2014</b>				
Available for sale financial assets	347,865	177,611,546	3,161,216	181,120,627
<b>December 31, 2013</b>				
Available for sale financial assets	347,865	62,298,512	3,161,216	65,807,593

The different levels have been defined as follows:

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

There were no transfers of financial instruments between level 1, 2 and 3 during 2014 and 2013.

## 6. Capital management objectives, policies and procedures

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

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

The required minimum Net Worth is as follows:

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

As of December 31, 2014, the Company is in compliance with required Net worth provided in "The Insurance Code."

### Margin of solvency

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

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

### Capital management objectives

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

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

	2014	2013
Total liabilities	<b>119,717,868</b>	72,926,976
Total equity	<b>383,140,822</b>	384,701,715
Debt to equity ratio	<b>0.31</b>	0.19

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

## 7. Cash and cash equivalents

This account consists of:

	2014	2013
Cash on hand	<b>24,878</b>	1,940,080
Commission fund	<b>1,158,617</b>	50,000
Cash in banks	<b>8,693,470</b>	18,607,985
Cash equivalents	<b>63,407,584</b>	160,426,630
Total	<b>73,284,549</b>	181,024,695

Cash in banks are interest bearing account balances maintained in various banks of the Company. These generally earn interest at rates based on daily bank deposit rates ranging from .05% to .75% for the year ended December 31, 2014 and 2013.

Cash equivalents are short-term deposits which are placed for varying periods depending on the immediate requirements of the Company, earn interest at rate of 1.50% in 2014 and 2013.

Interest earned from cash and cash equivalents amounted to P1,038,655 in 2014 and P587,468 in 2013.

## 8. Insurance receivables

This account consists of

	2014	2013
Premiums due and uncollected	102,633,370	95,818,937
Less: Allowance for impairment losses	18,477,336	18,477,336
	<b>84,156,034</b>	77,341,601
Due from ceding companies and reinsurers	55,555,077	45,521,499
Less: Allowance for impairment losses	3,745,805	3,745,805
	<b>51,809,272</b>	41,775,694
Reinsurance recoverable on losses	10,617,473	10,532,963
Total	<b>146,582,779</b>	129,650,258

Premiums due and uncollected is net of commission payable amounting to P10,616,550 in 2014 and P7,759,547 in 2013. The amounts due from ceding companies and reinsurers pertain to amounts recoverable from reinsurers in respect of claims already incurred by the Company. No additional provision for impairment losses was recognized for 2014.

## 9. Available for sale financial assets

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

	2014	2013
Investment in stock		
Quoted equity shares	347,865	347,865
Unquoted equity shares	3,161,216	3,161,216
Investment in government bonds	177,611,546	62,298,512
Balance, December 31	<b>181,120,627</b>	65,807,593

Cash dividend received from Investment in stock amounted to P35,668 in 2013. There is no available market value for the quoted equity shares as of December 31, 2014.

Investment in government bonds has a term ranging from three (3) to twenty-five (25) years earned an interest rates ranging from 6% to 7% in 2014 and 2013. Interest earned from government bonds amounted to P7,025,729 in 2014 and P2,040,289 in 2013.

Movement of Available for sale financial assets is as follows:

	2014	2013
<b>Investment in government bonds</b>		
Face value	157,838,000	57,786,368
Premiums	19,773,546	4,512,144
Sub-total	177,611,546	62,298,512
<b>Investment in stock</b>		
Cost	1,455,980	1,455,980
Fair value adjustment	2,053,101	2,053,101
Balances, December 31	3,509,081	3,509,081
Total	181,120,627	65,807,593

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

	2014	2013
Due within one year	-	-
Due beyond one year	177,611,546	62,298,512
Balance, December 31	177,611,546	62,298,512

## 10. Property and equipment, net

The details of this account follow:

	Office premises and improvements	Furnitures and office equipment	Transportation equipment	Total
<b><u>Cost</u></b>				
Balance, December 31, 2012	65,723,630	12,700,501	2,209,679	80,633,810
Additions	-	52,684		52,684
Balance, December 31, 2013	65,723,630	12,753,185	2,209,679	80,686,494
Additions	-	86,205	-	86,205
Balance, December 31, 2014	65,723,630	12,839,390	2,209,679	80,772,699
<b><u>Accumulated depreciation</u></b>				
Balance, December 31, 2012	16,451,630	10,445,301	1,552,826	28,449,757
Depreciation expense	1,970,069	874,607	274,186	3,118,862
Balance, December 31, 2013	18,421,699	11,319,908	1,827,012	31,568,619
Depreciation expense	1,970,068	675,222	164,000	2,809,290
Balance, December 31, 2014	20,391,767	11,995,130	1,991,012	34,377,909
<b>Net book value, December 31, 2014</b>	<b>45,331,863</b>	<b>844,260</b>	<b>218,667</b>	<b>46,394,790</b>
Net book value, December 31, 2013	47,301,931	1,433,278	382,667	49,117,876

In December 2012, the Company obtained the services of an appraisal company accredited by the Insurance Commission, to appraise the value of the office premises in 15<sup>th</sup> floor of Citibank building, Makati City, Philippines, consisting of an office condominium unit and three parking lots. The appraisal of the particular property has been coordinated with and approved for recording by the Insurance Commission. The appraisal increase was recorded at P20,827,014. The recorded cost of office premises and improvements is P44,216,286, as at December 31, 2012. Depreciation on the revaluation increment in property amounts to P833,080 both for 2014 and 2013.

As of December 31, 2014 and 2013, the following are fully depreciated properties that are still in use.

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

# **11. Deferred acquisition cost**

Movement of this account is as follows:

	2014	2013
Balance, January 1	4,291,544	5,181,044
Released during the year	(4,291,544)	(5,181,044)
Deferred commission expense	8,955,165	6,761,128
Unearned commission income	(11,049,197)	(2,469,584)
Balance, December 31	(2,094,032)	4,291,544

# **12. Deferred reinsurance premium**

Movement of this account are as follows:

	2014	2013
Balance, January 1	10,731,913	13,002,091
Ceded during the year	55,658,609	21,087,753
Amortized during the year	(30,072,839)	(23,357,931)
Balance, December 31	36,317,683	10,731,913

# **13. Other assets**

This account consists of:

	2014	2013
Accrued investment income	1,484,080	898,972
Cash under garnishment	869,656	869,656
Advances and other assets	4,768,328	3,629,722
Utility and other deposits	1,629,376	1,507,376
Creditable withholding taxes/tax credits	-	62,481
Total	8,751,440	6,968,207

Cash under garnishment refers to cash on hold by the National Labor Regulations Commission (NLRC). The cash was garnished due to alleged issuance of counterfeited bonds. The company is appealing on the said case and is still pending in court at the end of 2014.

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

#### 14. Insurance liabilities

This account consists of:

	2014	2013
Reserve for unearned premiums	52,616,746	25,190,108
Claims payable	17,465,693	22,427,637
Due to reinsurers and ceding companies	33,916,070	15,172,271
Funds held for reinsurers	819,056	819,056
<b>Total</b>	<b>104,817,565</b>	<b>63,609,072</b>

Movement of reserve for unearned premiums is as follows:

	2014	2013
Balance, January 1	25,190,108	32,280,350
New policies written during the year	84,930,725	54,686,572
Premiums earned during the year	(57,504,087)	(61,776,814)
<b>Balance, December 31</b>	<b>52,616,746</b>	<b>25,190,108</b>

Claims payable consists of the estimated liability for reported claims and accrual of estimated losses incurred but not reported (IBNR), broken down as follows:

	2014	2013
Claims reported and loss adjustment expenses	16,458,893	21,580,923
Provision for IBNR	1,006,800	846,714
	<b>17,465,693</b>	<b>22,427,637</b>

#### 15. Accounts and other payables

	2014	2013
Accounts payable	7,365,933	4,541,134
Taxes payable	2,106,919	1,131,461
Documentary stamp tax payable	1,972,958	469,147
Others	33,433	33,025
<b>Total</b>	<b>11,479,244</b>	<b>6,174,767</b>

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

## 16. Capital stock

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

	2014	2013
<b>Common stocks - P400 par value</b>		
Authorized capital stock:		
1,000,000 shares	<b>400,000,000</b>	400,000,000
Issued and outstanding, January 1	<b>350,457,200</b>	136,506,944
Share premium movement	-	(30,529,744)
Subscribed and paid-up	-	244,480,000
<b>Issued and outstanding, December 31</b>	<b>350,457,200</b>	350,457,200

As of December 31, 2014 the Company's total issued and outstanding share capital is owned by fifty one (51) shareholders, nineteen (19) of which own more than 100 shares each.

At a meeting held on March 12, 2013, the Corporation's Board of Directors by majority vote and the stockholders by affirmative vote of at least two thirds (2/3) of the outstanding capital stock, respectively, approved the increase in capital stock of the Corporation from One Hundred Fifty Million Pesos (P150,000,000) divided into Three Hundred Seventy Five Thousand (375,000) shares with a par value of Four Hundred Pesos (P400) per share to Four Hundred Million Pesos (P400,000,000) divided in to One Million(1,000,000) shares with a par value of Four Hundred Pesos (P400) per share. The increase in authorized capital stock was subsequently approved by the Securities and Exchange Commission (SEC).

Share premium decreased in the amount of P1,222,400 pertaining to the payment of documentary stamp tax (DST) on the subscription of capital stock.

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

Movement of this account are as follows:

	2014	2013
Balance, January 1	<b>624,406</b>	(396,315)
Actuarial gain during the year	-	1,020,721
<b>Balance, December 31</b>	<b>624,406</b>	624,406

### 18. Underwriting income

The account consists of:

	2014	2013
Premiums written	64,308,548	39,870,049
Premiums assumed	36,636,189	14,816,524
Gross premium written	100,944,737	54,686,573
Reinsurance premium ceded	(55,658,609)	(21,087,753)
Net premium earned	45,286,128	33,598,820
(Increase)/ Decrease in unearned premium	(1,840,868)	4,820,063
Commissions earned	5,459,824	2,573,889
	48,905,084	40,992,772

### 19. Underwriting expenses

The account consists of:

	2014	2013
Commissions	17,708,058	12,743,648
Claims and losses, net	10,936,984	9,195,803
Other underwriting expense	254,000	225,004
	28,899,042	22,164,455

### 20. Other income

The breakdown of other income is as follows:

	2014	2013
Dividend income	-	35,668
Interest income, net of amortization	8,064,384	2,627,757
Total	8,064,384	2,663,425

## 21. General and administrative expenses

The breakdown of other expenses are as follows:

	Notes	2014	2013
Salaries, wages and employee benefits	22	13,892,595	8,464,311
Professional fees		2,166,798	859,235
Association and pool dues		2,098,823	1,657,810
Depreciation expense	10	1,976,211	2,285,780
Rent		1,419,131	1,127,367
Travel and transportation		1,218,619	1,033,484
Taxes and licenses		718,096	237,010
Utilities		649,921	634,003
Representation		563,537	882,936
Retirement expense	23	560,144	352,600
Supplies		441,579	339,144
Communication		423,911	742,094
Repairs, maintenance and janitorial services		255,387	86,478
Insurance		193,940	276,096
Promotion, advertising and networking		152,721	83,044
Agency expense		116,830	373,775
Directors' fees		50,000	60,000
Broker's fee		20,000	92,204
Realized foreign exchange loss		14,498	256,961
Books and subscription		9,321	8,778
Miscellaneous		289,979	1,052,528
<b>Total</b>		<b>27,232,041</b>	<b>20,905,638</b>

## 22. Salaries, wages and employee benefits

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

	2014	2013
Salaries and wages	13,061,852	7,857,528
Employees' benefits	830,743	606,783
<b>Total</b>	<b>13,892,595</b>	<b>8,464,311</b>

### 23. Retirement benefits plan

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

Actuarial valuations are made at least every year. The Company's annual contributions to the defined benefit plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The assumptions used in determining retirement benefit liability for the Company are as follows:

	2014	2013
Present value of the obligation	<b>1,700,456</b>	1,700,456
Fair value of plan assets	<b>(1,129,352)</b>	(1,129,352)
Underfunded obligation	<b>571,104</b>	571,104
Liability to be recognized in the Statement of financial position	<b>571,104</b>	571,104

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

	2014	2013
Balance, January 1	<b>1,700,456</b>	2,740,186
Interest cost		169,618
Current service cost	<b>560,144</b>	248,813
Benefits paid	<b>(560,144)</b>	-
Actuarial (gain)/loss		(1,458,161)
Balance, December 31	<b>1,700,456</b>	1,700,456

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

	2014	2013
Balance, January 1	<b>1,129,352</b>	1,063,509
Interest income	-	65,831
Benefits paid	-	-
Actuarial gain	-	12
Balance, December 31	<b>1,129,352</b>	1,129,352

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

	2014	2013
Interest income	-	65,831
Remeasurement gain / (loss)	-	12
Actual return on plan asset	-	65,843

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

	2014	2013
Current service cost	<b>560,144</b>	248,813
Interest cost	-	169,618
Interest income on plan assets	-	(65,831)
Expense recognized during the year	<b>560,144</b>	352,600

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

	2014	2013
Accumulated other comprehensive income, January 31	<b>(892,009)</b>	566,164
Actuarial (gains)/losses - DBO	-	(1,458,161)
Remeasurement (gain)/loss - plan assets	-	(12)
Remeasurement (gain)/loss - changes in the effect of the asset ceiling	-	-
Defined benefit cost in OCI - expense/(income)	-	(1,458,173)
Accumulated other comprehensive income, ending	<b>(892,009)</b>	(892,009)

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

	2014	2013
Discount rate	<b>4.5%</b>	4.5%
Salary increase rate	<b>5%</b>	5%

Sensitivity analysis as follows:

Decrease in DBO due to 100 bps increase in discount rate	<b>(140,546)</b> ; (8.3%)
Increase in DBO due to 50 bps decrease in discount rate	<b>176,328</b> ; 10.4%
Increase in DBO due to 75 bps increase in salary increase rate	<b>156,494</b> ; 9.2%
Decrease in DBO due to 125 bps decrease in salary decrease rate	<b>(126,665)</b> ; (7.4%)
Increase in DBO, no attrition rates	<b>263,947</b> ; 15.5%

Expected future benefit payments as follows:

Financial year	
2015	346,500
2016	-
2017	-
2018	-
2019-2023	328,323

Allocation of plan assets as follows:

Financial year	
Cash and cash equivalents	51.27%
Debt instruments - government bonds	35.42%
Debt instruments - other bonds	8.85%
Other (Market gains/losses, accrued receivables, etc.)	4.46%
Total	100.00%

Weighted average duration of the retirement benefits liability is 12.1 years as of December 31, 2014.

## 24. Lease commitments

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

	2014	2013
Within one year	<b>426,000</b>	426,000
More than one year but less than five years	-	-
Total	<b>426,000</b>	426,000

Total rental expense charged to operations amounted to P1,419,131 and P1,127,367 in 2014 and 2013, respectively.

## 25. Income taxes

Corporate income tax rate – 30%

The income tax expense consists of the following:

	2014	2013
Current:		
Regular corporate income tax	300,134	-
Final tax on interest income	1,908,161	788,491
Deferred:		
NOLCO	-	(2,030,889)
Deferred acquisition cost	(1,915,673)	(266,850)
Reserve for unearned premium	(552,260)	1,446,019
Retirement benefits expense	-	(105,780)
<b>Income tax expense/ (benefits)</b>	<b>(259,638)</b>	<b>(169,009)</b>

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

	2014	2013
Tax on pretax income at prevailing rate	227,238	144,630
Adjustment for items subject to lower tax rates:		
Interest income		164
Tax effect on:		
Non-deductible expense	24,278	(303,102)
Non-taxable income	(511,154)	(10,701)
<b>Total</b>	<b>(259,638)</b>	<b>(169,009)</b>

### Deferred income tax assets

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

	2014	2013
Allowance for reinsurance receivable	6,666,942	6,666,942
Deferred acquisition cost	628,210	-
NOLCO	1,730,756	2,030,889
MCIT	1,209,583	1,167,443
Retirement benefits obligation	171,331	171,331
<b>Total</b>	<b>10,406,822</b>	<b>10,036,605</b>

Validity of NOLCO as follows:

Year incurred	Validity	Amount	Applied	Balance
2013	2016	6,769,629	1,000,445	5,769,184
		6,769,629	1,000,445	5,769,184

Validity of MCIT as follows:

Year incurred	Validity	Amount	Applied	Expired	Balance
2011	2014	522,510	-	522,510	-
2012	2015	382,558	-		382,558
2013	2016	262,375	-		262,375
2014	2017	564,650	-		564,650
		<b>1,732,093</b>			<b>1,209,583</b>

Deferred income tax liability

Components of deferred income tax liability are as follows:

	2014	2013
Deferred acquisition cost	-	1,287,463
Reserve for unearned premium	<b>732,310</b>	1,284,570
Total	<b>732,310</b>	<b>2,572,033</b>

**26. Earnings per common share**

	2014	2013
Profit for the year	<b>1,017,097</b>	651,109
Weighted average number of common shares	<b>875,000</b>	570,543
	<b>1.16</b>	1.14

**27. Related party transactions**

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

Key management personnel compensation

The key management compensation consists of salaries, allowances and employee benefits amounting P2,264,562 and P2,997,479 in 2014 and 2013, respectively.

Defined benefits plan

The Company has a significant influence over the funding and management of the Company's plan assets. The outstanding amount of the plan assets amounts to P1,129,352 in 2014 and 2013. No funding transactions were incurred in 2014.

## 28. Approval of financial statements

The financial statements were approved and authorized for issue by the Board of Directors through the Company's President, Mr. Parimal Bhattacharya on April 7, 2015.

## 29. Supplementary information required by the Bureau of Internal Revenue

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

### Output VAT

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

	VATable	VAT - Zero-rated	VAT - exempt	2014	2013
Vatable receipts	66,462,736	-	8,789,542.00	<b>75,252,278</b>	50,852,171
Output VAT rate	12%	0%	-	<b>12%/0%</b>	12%/0%
Total	7,975,528	-	-	<b>7,975,528</b>	4,746,750

### Input VAT

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

	2014	2013
Balance, January 1	-	-
Add: Current year's domestic purchases/payments for:		
Purchase of capital goods and domestic purchases of goods other than capital goods	<b>2,221,766</b>	1,569,519
Total available input VAT	<b>2,221,766</b>	<b>1,569,519</b>
Less: Claims for:		
Tax credit		246,927
<b>Balance, December 31</b>	<b>2,221,766</b>	<b>1,816,446</b>

### Documentary stamp tax (DST)

The DST paid/accrued during the reporting period was P9,084,153.56 for insurance on property in 2014.

Other taxes and licenses

	OR No.	2014	2,013
Community tax		10,500	10,500
Business permits	various	140,259	182,168
Percentage taxes and various	various	567,337	44,342
Total per Statement of Comprehensive Income		718,096	237,010

Taxes and licenses charged to cost of services amounted to P766,989.88 in 2014.

Withholding taxes

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

Tax withheld by the company on:

Compensation	2,309,782	905,798
Expanded	1,297,426	1,057,039
Final Withholding taxes	13,545	104,004
Total	3,620,753	2,066,841

Taxes on importation of goods

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

Excise tax

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

As of the year ended December 31, 2014, the Company has no pending tax assessment and litigation.

Revenue Regulations No. 19-2011

Revenue Regulations No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2012, and to modify Revenue Memorandum Circular No. 57-2011 dated November 25, 2011.

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2014:

Revenue

	EXEMPT	RCIT
Gross written premium	-	100,944,737
Reinsurance premiums ceded	-	(55,658,609)
Net premiums retained	-	45,286,128
Commission income	-	5,459,824
		50,745,952

Cost of services

	EXEMPT	RCIT
Commissions	-	11,322,482
Claims and losses	-	10,936,984
Other underwriting expense	-	254,000
		<b>22,513,466</b>

Itemized Deductions



Details of the Company's itemized deductions for the year are as follows:


	Notes	Exempt	RCIT
Salaries, wages and employee benefits		-	<b>13,892,595</b>
Professional fees		-	<b>2,166,798</b>
Association and pool dues		-	<b>2,098,823</b>
Depreciation expense	10	-	<b>1,976,211</b>
Rent		-	<b>1,419,131</b>
NOLCO		-	<b>1,000,445</b>
Travel and transportation		-	<b>1,218,619</b>
Utilities		-	<b>649,921</b>
Taxes and licenses		-	<b>718,096</b>
Representation		-	<b>563,537</b>
Retirement expense	23	-	<b>560,144</b>
Supplies		-	<b>441,579</b>
Repairs, maintenance and janitorial services		-	<b>255,387</b>
Insurance		-	<b>193,940</b>
Promotion, advertising and networking		-	<b>152,721</b>
Agency expense		-	<b>116,830</b>
Communication		-	<b>423,911</b>
Directors' fees		-	<b>50,000</b>
Broker's fee		-	<b>20,000</b>
Realized forex loss		-	<b>14,498</b>
Books and subscription		-	<b>9,321</b>
Miscellaneous		-	<b>289,979</b>
<b>Total</b>			<b>28,232,486</b>


Reconciliation of Net Income Per Books Against Taxable Income


Income before tax		757,459
ADD:		
Non-deductible expense		
Unallowable interest expense	80,926	
Decrease in deferred acquisition cost	6,385,576	
Increase in reserve for unearned premium and deferred RI premium	1,840,868	8,307,370
TOTAL		9,064,829
LESS: Interest Income	1,038,655	
Interest income - Government securities	7,025,729	(8,064,384)
Taxable Income		1,000,445
NOLCO		1,000,445
		-


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For BIR Use Only	BCS/Item																											
		1702-RT06/13P1																										
 <div>Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas</div>		<div>Annual Income Tax Return</div> <div>For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate</div> <div>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.</div>																										
BIR Form No. <b>1702-RT</b> June 2013 Page 1																												
1 For <input checked="" type="checkbox"/> Calendar <input type="checkbox"/> Fiscal		3 Amended Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																										
2 Year Ended (MM/DD/YY) 1 2 / 20 1 4		4 Short Period Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																										
		5 Alphanumeric Tax Code (ATC) IC 055 Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/>																										
<div>Part I – Background Information</div> <div>6 Taxpayer Identification Number (TIN) 0 0 0 - 4 7 9 - 2 6 9 - 0 0 0 0</div> <div>7 RDO Code 0 3 4</div> <div>8 Date of Incorporation/Organization (MM/DD/YYYY) 0 4 / 0 2 / 1 9 6 4</div> <div>9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.</div> <div>10 Registered Address (Indicate complete registered address) 15F, CITIBANK TOWER, PASEO DE ROXAS, MAKATI CITY</div> <div>11 Contact Number 8 4 8 0 - 1 8 8</div> <div>12 Email Address info@sgiphils.com.ph</div> <div>13 Main Line of Business NON LIFE INSURANCE</div> <div>14 PSIC Code 6 7 0 3</div> <div>15 Method of Deductions <input checked="" type="checkbox"/> Itemized Deductions [Sections 34 (A-J), NIRC] <input type="checkbox"/> Optional Standard Deduction (OSD) – 40% of Gross Income [Section 34(L), NIRC as amended by RA No 9504]</div>																												
<div>Part II – Total Tax Payable (Do NOT enter Centavos)</div> <div>16 Total Income Tax Due (Overpayment) (From Part IV Item 44) 5 6 4 , 6 5 0</div> <div>17 Less: Total Tax Credits/Payments (From Part IV Item 45) 5 4 1 , 0 3 7</div> <div>18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46) 2 3 , 6 1 3</div> <div>19 Add: Total Penalties (From Part IV Item 50) 0</div> <div>20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51) 2 3 , 6 1 3</div> <div>21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) <input type="checkbox"/> To be refunded <input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input type="checkbox"/> To be carried over as a tax credit for next year/quarter</div> <div>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)</div> <div>Signature over printed name of President/Principal Officer/ Authorized Representative _____ Signature over printed name of Treasurer/ Assistant Treasurer _____</div> <div>Title of Signatory _____ Number of pages filed 8</div> <div>22 Community Tax Certificate (CTC) Number/SEC Reg. No. 0 0 2 3 6 4 2 2</div> <div>23 Date of Issue (MM/DD/YYYY) 0 1 / 2 2 / 2 0 1 5</div> <div>24 Place of Issue MAKATI CITY</div> <div>25 Amount, if CTC 1 0 , 5 0 0</div>																												
<div>Part III – Details of Payment</div> <table><thead><tr><th>Details of Payment</th><th>Drawee Bank/ Agency</th><th>Number</th><th>Date (MM/DD/YYYY)</th><th>Amount</th></tr></thead><tbody><tr><td>26 Cash/Bank Debit Memo</td><td></td><td></td><td>/ /</td><td>0</td></tr><tr><td>27 Check</td><td></td><td></td><td>/ /</td><td>0</td></tr><tr><td>28 Tax Debit Memo</td><td></td><td></td><td>/ /</td><td>0</td></tr><tr><td>29 Others (Specify Below)</td><td></td><td></td><td>/ /</td><td>0</td></tr></tbody></table>				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
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 Receipt 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)																										


Annual Income Tax Return Page 2		BIR Form No. 1702-RT June 2013		 1702-RT06/13P2		
Taxpayer Identification Number (TIN)			Registered Name			
00047926900000			SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.			
Part IV - Computation of Tax (Do NOT enter Centavos)						
30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6)			50,745,952			
31 Less: Cost of Sales/Services (From Schedule 2 Item 27)			22,513,466			
32 Gross Income from Operation (Item 30 Less Item 31)			28,232,486			
33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)			0			
34 Total Gross Income (Sum of Items 32 & 33)			28,232,486			
Less: Deductions Allowable under Existing Law						
35 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 40)		27,232,041				
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)		1,000,445				
38 Total Itemized Deductions (Sum of Items 35 to 37)		28,232,486				
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 Item 39)			0			
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)			564,650			
44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To Part II Item 16)			564,650			
45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17)			541,037			
46 Net Tax Payable (Overpayment) (Item 44 Less Item 45) (To Part II Item 18)			23,613			
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)			23,613			
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 TEODORO SANTAMARIA CANLAS AND CO.						
		56 TIN	008670806000			
57 Name of Signing Partner (If External Auditor is a Partnership) RACHEL LYDIA T. SANTAMARIA						
		58 TIN	102921088000			
59 BIR Accreditation No.		60 Issue Date (MM/DD/YYYY)		61 Expiry Date (MM/DD/YYYY)		
08-003408-002-2013		03/05/2013		03/05/2016		


<b>Annual Income Tax Return</b> Page 3 - Schedules 1 & 2		BIR Form No. <b>1702-RT</b> June 2013	 1702-RT06/013P3
Taxpayer Identification Number (TIN)		Registered Name	
0 0 0 4 7 9 2 6 9 0 0 0 0		SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.	
Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)			
1 Sale of Goods/Properties		0	
2 Sale of Services		5 0 , 7 4 5 , 9 5 2	
3 Lease of Properties		0	
4 Total (Sum of Items 1 to 3)		5 0 , 7 4 5 , 9 5 2	
5 Less: Sales Returns, Allowances and Discounts		0	
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)		5 0 , 7 4 5 , 9 5 2	
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		0	
21 Direct Charges - Materials, Supplies and Facilities		0	
22 Direct Charges - Depreciation		0	
23 Direct Charges - Rental		0	
24 Direct Charges - Outside Services		2 2 , 5 1 3 , 4 6 6	
25 Direct Charges - Others		0	
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)		2 2 , 5 1 3 , 4 6 6	
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)		2 2 , 5 1 3 , 4 6 6	

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	
0 0 0 4 7 9 2 6 9 0 0 0 0		SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.	
Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional sheet/s, if necessary)			
1			0
2			0
3			0
4 Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 33)			0
Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)			
1 Advertising and Promotions			1 5 2 , 7 2 1
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			1 , 0 7 3 , 8 3 2
9 Depletion			0
10 Depreciation			1 , 9 7 6 , 2 1 1
11 Director's Fees			5 0 , 0 0 0
12 Fringe Benefits			0
13 Fuel and Oil			0
14 Insurance			1 9 3 , 9 4 0
15 Interest			0
16 Janitorial and Messengerial Services			0
17 Losses			0
18 Management and Consultancy Fee			0
19 Miscellaneous			2 8 9 , 9 7 9
20 Office Supplies			4 4 1 , 5 7 9
21 Other Services			0
22 Professional Fees			2 , 1 6 6 , 7 9 8
23 Rental			1 , 4 1 9 , 1 3 1
24 Repairs and Maintenance - (Labor or Labor & Materials)			2 5 5 , 3 8 7
25 Repairs and Maintenance - (Materials/Supplies)			0
26 Representation and Entertainment			5 6 3 , 5 3 7
27 Research and Development			0
28 Royalties			0
29 Salaries and Allowances			1 3 , 8 9 2 , 5 9 5

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		
0 0 0 4 7 9 2 6 9 0 0 0 0		SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.		
Schedule 4 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)				
30 Security Services		0		
31 SSS, GSIS, Philhealth, HDMF and Other Contributions		0		
32 Taxes and Licenses		7 1 8 , 0 9 6		
33 Tolling Fees		0		
34 Training and Seminars		0		
35 Transportation and Travel		1 , 2 1 8 , 6 1 9		
Others (Specify below; Add additional sheet(s), if necessary)				
36 AGENCY EXPENSE		1 1 6 , 8 3 0		
37 ASSOCIATION AND POOL DUES		2 , 0 9 8 , 8 2 3		
38 RETIREMENT EXPENSE		5 6 0 , 1 4 4		
39 OTHERS		4 3 , 8 1 9		
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)		2 7 , 2 3 2 , 0 4 1		
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)		0		
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law		0		
3 Net Operating Loss (To Schedule 6A)		0		
Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)				
Net Operating Loss				B) NOLCO Applied Previous Year
Year Incurred		A) Amount		
4			0	0
5	2 0 1 3		6 , 7 6 9 , 6 2 9	0
6			0	0
7			0	0
Continuation of Schedule 6A (Item numbers continue from table above)				
C) NOLCO Expired		D) NOLCO Applied Current Year		E) Net Operating Loss (Unapplied)
4	0	0		0
5	0	1 , 0 0 0 , 4 4 5		5 , 7 6 9 , 1 8 4
6	0	0		0
7	0	0		0
8	Total NOLCO (Sum of Items 4D to 7D) (To Part IV Item 37)		1 , 0 0 0 , 4 4 5	

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		
0 0 0 4 7 9 2 6 9 0 0 0 0		SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.		
Schedule 7 - Tax Credits/Payments (attach proof) (Attach additional sheet/s, if necessary)				
1 Prior Year's Excess Credits Other Than MCIT		6 2 , 4 8 1		
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		2 1 4 , 9 2 2		
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		2 6 3 , 6 3 4		
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)		5 4 1 , 0 3 7		
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	2 0 1 1	0	5 2 2 , 5 1 0	5 2 2 , 5 1 0
2	2 0 1 2	0	3 8 2 , 5 5 8	3 8 2 , 5 5 8
3	2 0 1 3	0	2 6 2 , 3 7 5	2 6 2 , 3 7 5
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	5 2 2 , 5 1 0	0	0
2	0	0	0	3 8 2 , 5 5 8
3	0	0	0	2 6 2 , 3 7 5
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		7 5 7 , 4 5 9		
Add: Non-deductible Expenses/Taxable Other Income				
2	UNALLOWED INTEREST EXPENSE			8 0 , 9 2 6
3	UNEARNED PREMIUM AND DEFERRED ACQUISITION COS			8 , 2 2 6 , 4 4 4
4 Total (Sum of Items 1 to 3)		9 , 0 6 4 , 8 2 9		
Less: A) Non-taxable Income and Income Subjected to Final Tax				
5	INTEREST INCOME			8 , 0 6 4 , 3 8 4
6	NOLCO			1 , 0 0 0 , 4 4 5
B) Special Deductions				
7				0
8				0
9 Total (Sum of Items 5 to 8)		9 , 0 6 4 , 8 2 9		
10 Net Taxable Income (Loss) (Item 4 Less Item 9)		0		

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		
0 0 0 4 7 9 2 6 9 0 0 0 0		SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.		
Schedule 10 - BALANCE SHEET				
Assets				
1 Current Assets		2 1 9 , 8 6 7 , 3 2 8		
2 Long-Term Investment		1 8 1 , 1 2 0 , 6 2 7		
3 Property, Plant and Equipment – Net		4 6 , 3 9 4 , 7 9 0		
4 Long-Term Receivables		0		
5 Intangible Assets		0		
6 Other Assets		5 5 , 4 7 5 , 9 4 5		
7 Total Assets (Sum of Items 1 to 6)		5 0 2 , 8 5 8 , 6 9 0		
Liabilities and Equity				
8 Current Liabilities		1 1 6 , 3 2 0 , 4 2 2		
9 Long-Term Liabilities		0		
10 Deferred Credits		7 3 2 , 3 1 0		
11 Other Liabilities		2 , 6 6 5 , 1 3 6		
12 Total Liabilities (Sum of Items 8 to 11)		1 1 9 , 7 1 7 , 8 6 8		
13 Capital Stock		3 5 0 , 4 5 7 , 2 0 0		
14 Additional Paid-in Capital		2 6 , 8 3 5 , 2 3 5		
15 Retained Earnings		5 , 8 4 8 , 3 8 7		
16 Total Equity (Sum of Items 13 to 15)		3 8 3 , 1 4 0 , 8 2 2		
17 Total Liabilities and Equity (Sum of Items 12 & 16)		5 0 2 , 8 5 8 , 6 9 0		
Schedule 11 – <input checked="" type="checkbox"/> Stockholders <input type="checkbox"/> Partners <input type="checkbox"/> 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
GC HOLDINGS, INC	0 0 6 7 4 2 5 5 7 0 0 0		3 0 , 3 2 9 , 2 0 0	9
V.C. DE LOS REYES	1 0 6 0 9 8 9 0 0 0 0 0		1 7 , 1 0 6 , 0 0 0	5
ROBERTO J. CONSUNJI	1 2 1 4 1 3 5 0 2 0 0 0		6 , 4 3 9 , 2 0 0	2
NMB CAPITAL	0 0 3 9 4 0 9 4 6 0 0 0		5 , 1 5 6 , 8 0 0	1
ABV, INC.	0 0 0 5 2 2 1 3 3 0 0 0		2 , 8 8 7 , 2 0 0	1
GERARDO LIMLINGAN	1 2 2 3 0 0 9 8 0 0 0 0		3 4 5 , 6 0 0	1
G.L. DUY	1 2 6 3 9 7 7 9 4 0 0 0		2 0 6 , 8 0 0	1
ADELAIDA UYTANA	9 0 1 4 4 5 5 0 3 0 0 0		1 6 1 , 6 0 0	1
MA. LEONOR ORLINA	9 0 1 4 4 5 5 0 3 0 0 0		8 0 , 0 0 0	1
M. ESPIRITU	2 1 3 4 5 8 8 4 7 0 0 0		6 6 , 8 0 0	1
CARMEN WILLKON	1 1 2 4 9 1 8 1 5 0 0 0		6 5 , 6 0 0	1
B. GONZALES	1 0 6 1 0 1 6 1 6 0 0 0		4 8 , 4 0 0	1
S. BERNABE	1 0 0 2 1 5 8 1 3 0 0 0		4 0 , 0 0 0	1
ARICAR INV. CORP.	0 0 0 0 6 5 2 4 8 0 0 0		3 4 , 8 0 0	1
P. BHATTACHARYA	4 0 2 6 4 1 8 9 7 0 0 0		1	1
V.S. LIMLINGAN	1 2 3 1 0 5 0 2 4 0 0 0		1	1
K.K. PING	2 5 2 6 4 0 4 0 7 0 0 0		1	1
MANUEL R. ROXAS	1 0 6 0 9 8 9 3 4 0 0 0		1	1
V.A GONZALES	2 0 2 4 1 0 2 4 6 0 0 0		1	1
			0	0

<b>Annual Income Tax Return</b> Page 8 - Schedules 12 & 13		BIR Form No. <b>1702-RT</b> June 2013		 1702-RT06/13P8			
Taxpayer Identification Number (TIN)			Registered Name				
0 0 0 4 7 9 2 6 9 0 0 0 0			SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.				
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		8 , 0 6 4 , 3 8 4		1 , 9 0 8 , 1 6 1	
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			0		0		
9 Final Tax Withheld/Paid			0		0		
III) Sale/Exchange of Shares of Stock			A) Sale/Exchange #3		B) Sale/Exchange #4		
10 Kind (PS/CS) / Stock Certificate Series No.			P S /		P S /		
11 Certificate Authorizing Registration (CAR) No.							
12 Number of Shares			0		0		
13 Date of Issue (MM/DD/YYYY)			/ /		/ /		
14 Actual Amount/Fair Market Value/Net Capital Gains			0		0		
15 Final Tax Withheld/Paid			0		0		
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			0		0		
18 Final Tax Withheld/Paid			0		0		
19 Total Final Tax Withheld/Paid (Sum of Items 1C to 4C, 9A,9B,15A,15B,18A &18B)					1 , 9 0 8 , 1 6 1		
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 Mode of Transfer (e.g. Donation)							
4 Certificate Authorizing Registration (CAR) No.							
5 Actual Amount/Fair Market Value			0		0		
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			0		0		
8 Total Income/Receipts Exempt from Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)					0		

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

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**Under SRCRule 68, As Amended**

		For the years ended December 31			
		2014		2013	
Liquidity/ Solvency Ratios					
1. Current Ratio	<div>Current Assets</div> <div>Current Liabilities</div>	<div>219,867,328</div> <div>116,320,422</div>	1.89	<div>315,266,128</div> <div>69,783,839</div>	4.52
2. Liquidity Ratio	<div>Liquid Assets</div> <div>Current Liabilities</div>	<div>219,867,328</div> <div>116,320,422</div>	1.89	<div>315,266,128</div> <div>69,783,839</div>	4.52
3. Working Capital to Total Asset	<div>Working Capital</div> <div>Total Assets</div>	<div>103,546,906</div> <div>502,858,690</div>	0.21	<div>245,482,289</div> <div>457,628,691</div>	0.54
4. Solvency Ratio	<div>Net Profit after Tax + Depreciation</div> <div>Total Liabilities</div>	<div>2,993,308</div> <div>119,717,868</div>	0.03	<div>2,936,889</div> <div>72,926,976</div>	0.04
Capital Structure Analysis					
5. Debt-to-Equity Ratio	<div>Total Debt</div> <div>Total Equity</div>	<div>119,717,868</div> <div>383,140,822</div>	0.31	<div>72,926,976</div> <div>384,701,715</div>	0.19
6. Asset-to-Equity Ratio	<div>Total Assets</div> <div>Total Equity</div>	<div>502,858,690</div> <div>383,140,822</div>	1.31	<div>457,628,691</div> <div>384,701,715</div>	1.19
Profitability Ratio					
7. Return on Assets (ROA)	<div>Net Income</div> <div>Average Assets</div>	<div>1,017,097</div> <div>480,243,691</div>	0.00	<div>651,109</div> <div>371,373,253</div>	0.00
8. Return on Equity (ROE)	<div>Net Income</div> <div>Average Equity</div>	<div>1,017,097</div> <div>383,921,269</div>	0.00	<div>651,109</div> <div>294,139,311</div>	0.00
9. Profit Margin	<div>Net Income</div> <div>Revenue</div>	<div>1,017,097</div> <div>48,905,084</div>	0.02	<div>651,109</div> <div>40,992,772</div>	0.02
10. Gross Profit Margin	<div>Gross Profit</div> <div>Sales</div>	<div>28,070,426</div> <div>48,905,084</div>	0.57	<div>21,491,742</div> <div>40,992,772</div>	0.52
11. Earning per share	<div>Net Income</div> <div>Weighted Average Outstanding Shares</div>	<div>1,017,097</div> <div>875,000</div>	1.16	<div>651,109</div> <div>570,543</div>	1.14
12. Interest Rate Coverage Ratio	<div>Earnings before Income Tax</div> <div>Interest Expense</div>	<div>757,459</div> <div>80,926</div>	9.36	<div>482,100</div> <div>104,004</div>	4.64

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(Formerly: Monarch Insurance Company, Inc.)

**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		
<b>Framework for the Preparation and Presentation of Financial Statements</b>		
Conceptual Framework Phase A: Objectives and qualitative characteristics		Adopted
<b>PFRSs Practice Statement Management Commentary</b>		Not Adopted
<b>Philippine Financial Reporting Standards</b>		
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
<b>PFRS 2</b>	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
<b>PFRS 3 (Revised)</b>	Business Combinations	Not Applicable
<b>PFRS 4</b>	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Not Applicable
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	Not Applicable
<b>PFRS 7</b>	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transition	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Not Applicable
	Amendments PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2014</b>		
	Amendments to PFRS 7: Mandatory effective Date of PFRS 9 and transition disclosure	Not Applicable
<b>PFRS 8</b>	Operating Segments	Not Applicable
<b>PFRS 9</b>	Financial Instruments : Classification and Measurements of Financial Assets	Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosure	Not Applicable
<b>PFRS 10</b>	Consolidated Financial Statements	Not Applicable
	Amendments to PFRS 10: Transition Guidance	Not Applicable
	Amendments to PFRS 10: Investment Entities	Not Applicable
<b>PFRS 11</b>	Joint Arrangements	Not Applicable
	Amendments to PFRS 11: Transition Guidance	Not Applicable
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	Not Applicable
	Amendments to PFRS 12: Transition Guidance	Not Applicable
	Amendments to PFRS 12: Investment Entities	Not Applicable
<b>PFRS 13</b>	Fair Value Measurement	Adopted
<b>Philippine Accounting Standards</b>		
<b>PAS 1 Revised</b>	Presentation of Financial Statements	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
<b>PAS 2</b>	Inventories	Not Applicable
<b>PAS 7</b>	Statement of Cash Flows	Adopted
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
<b>PAS 10</b>	Events after the Balance Sheet Date	Adopted
<b>PAS 11</b>	Construction Contracts	Not Applicable
<b>PAS 12</b>	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
<b>PAS 16</b>	Property, Plant and Equipment	Adopted
<b>PAS 17</b>	Leases	Adopted

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2014</b>		
<b>PAS 18</b>	Revenue	Adopted
<b>PAS 19 Revised</b>	Employee Benefits	Adopted
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	Not Applicable
	Amendment: Net Investment in a Foreign Operation	Not Applicable
<b>PAS 23 (Revised)</b>	Borrowing Costs	Not Applicable
<b>PAS 24 (Revised)</b>	Related Party Disclosures	Adopted
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	Adopted
<b>PAS 27 (Amended)</b>	Separate Financial Statements	Not Applicable
	Amendments to PAS 27 (Amended): Investment Entities	Not Applicable
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	Not Applicable
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies	Not Applicable
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
<b>PAS 33</b>	Earnings per Share	Adopted
<b>PAS 34</b>	Interim Financial Reporting	Not Applicable
<b>PAS 36</b>	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable amount Disclosures for Non-Financial Assets	Adopted
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	Not Applicable
<b>PAS 38</b>	Intangible Assets	Not Applicable
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Not Applicable

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2014</b>		
	Amendments to PAS 39: The Fair Value Options	Not Applicable
	Amendments to PAS 39: Financial Guarantee Contracts	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets – Effective Date and Transition	Not Applicable
	Amendments to PAS 39: Embedded Derivatives	Not Applicable
	Amendments to PAS 39: Eligible Hedge Items	Not Applicable
	Amendments to PAS 39: Novation and Continuation of Hedge Accounting	Not Applicable
<b>PAS 40</b>	Investment Property	Not Applicable
<b>PAS 41</b>	Agriculture	Not Applicable
<b>Philippine Interpretations</b>		
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	Adopted
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not Applicable
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	Not Applicable
	Amendments to Philippine Interpretation IFRIC 9: : Embedded Derivatives	Not Applicable
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	Not Applicable
<b>IFRIC 12</b>	Service Concession Arrangements	Not Applicable
<b>IFRIC 13</b>	Customer Loyalty Programmes	Not Applicable
<b>IFRIC 14</b>	PAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation	Not Applicable
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	Not Applicable
<b>IFRIC 18</b>	Transfers of Assets from Customers	Not Applicable

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2014</b>		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	Not Applicable
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
<b>IFRIC 21</b>	Levies	Not Applicable
<b>SIC-7</b>	Introduction of the Euro	Not Applicable
<b>SIC-10 SIC-12</b>	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
	Consolidation - Special Purpose Entities	Not Applicable
	Amendment to SIC - 12: Scope of SIC 12	Not Applicable
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not Applicable
<b>SIC-15</b>	Operating Leases - Incentives	Not Applicable
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not Applicable
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.	Not Applicable
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
<b>SIC-32</b>	Intangible Assets - Web Site Costs	Not Applicable