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Submission Date/Time:
Jul 16, 2021 09:59 AM

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

25659

Company Name

WESTERN GUARANTY CORPORATION

Principal Office (No./Street/Barangay/City/Town)Province)

11TH FLOOR, ETY BUILDING,
484 QUINTIN PAREDES ST.,
BINONDO, MANILA

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
customercare@westernguaranty.ph	8241-7401	09257789922

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
8	Last business day of November	December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Teresita N. Vergara	tessnvergara@yahoo.com	8241-7401	N/A

Contact Person's Address

11Th Floor, Ety Building, 484 Quintin Paredes St., Binondo, Manila

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

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

WESTERN GUARANTY CORPORATION

Financial Statements

December 31, 2020

(with comparative figures as at and for the year ended December 31, 2019)

西 聯 保 險 有 限 公 司
WESTERN GUARANTY CORPORATION
11[th] Floor, ETY Building, 484 Quintin Paredes St., Binondo, manila
Tel. Nos. (02) 8241-7401; Fax Nos. (632) 8242-1183
Email: customercare@westernguaranty.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The management of **WESTERN GUARANTY CORPORATION**, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.R. Tan and Associates, CPAs the independent auditors appointed by the stockholders as of December 31, 2020 and J.A. Banaria and Company, the independent auditors appointed by the stockholders as of December 31, 2019, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CHOA SIU TIN
President

TERESITA N. VERGARA
Financial Comptroller

ATTY. LEVY EDWIN C. ANG
Chairman of the Board

Signed this 1st day of July, 2021.

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
e-mail : info@rrtan.net

PRC-BOA Reg. No. 0132, valid until December 31, 2021
SEC Accreditation No.0394-F, valid until July 23, 2023
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022
IC Accreditation No. 0132-IC, valid until November 14, 2024

Report of Independent Public Accountants

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th Floor, ETY Building, 484 Quintin Paredes St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standard. (PFRSs).

Basis for Opinion

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

Other Matter

The financial statements of **WESTERN GUARANTY CORPORATION** for the year ended December 31, 2019 were examined by another auditor whose report dated June 2, 2020 expressed an unmodified opinion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By: CHESTER NIMITZ F. SALVADOR
Partner
CPA Certificate No. 0129556
Tax Identification No. 307-838-154
PTR No. 6514908, February 2, 2021, Pasig City
SEC Accreditation No. 1812-A, valid until July 23, 2023
BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022
IC Accreditation No. 129556-IC, valid until March 1, 2025

July 1, 2021
Pasig City

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
E-mail : info@rrtan.net

PRC-BOA Reg. No. 0132, valid until December 31, 2021
SEC Accreditation No.0394-F, valid until July 23, 2023
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022
IC Accreditation No. 0132-IC, valid until November 14, 2024

Report of Independent Public Accountants to Accompany Financial Statements for filing with the Securities and Exchange Commission

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th Floor, ETY Building, 484 Quintin Paredes St.
Binondo, Manila

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** as at and for the year ended December 31, 2020, on which we have rendered the attached report dated July 1, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of six (6) stockholders owning one hundred (100) or more shares each.

R. R. TAN AND ASSOCIATES, CPAs

By: CHESTER NIMITZ F. SALVADOR
Partner
CPA Certificate No. 0129556
Tax Identification No. 307-838-154
PTR No. 6514908, February 2, 2021, Pasig City
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IC Accreditation No. 129556-IC, valid until March 1, 2025

July 1, 2021
Pasig City

WESTERN GUARANTY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

(With comparative figures as at December 31, 2019 and January 1, 2019)

ASSETS	Notes	December 31, 2020	December 31, 2019 (Restated - see Note 31)	January 1, 2019 (Restated - see Note 31)
Cash and Cash Equivalents	8	P 114,634,675	P 144,381,207	P 149,594,082
Short-term Investments	9	24,895,363	25,923,182	24,133,871
Financial Assets	5,10			
Available-for-Sale (AFS)		25,522,564	25,407,468	35,513,118
Held-to-Maturity (HTM)		300,789,135	229,804,518	226,451,006
Loans and Receivables		2,400,000	2,400,000	2,400,000
Insurance Balance Receivables	11	762,538,948	722,185,671	421,714,588
Reinsurance Assets	12	328,102,907	136,355,355	241,057,159
Deferred Acquisition Costs	15	109,131,945	93,635,248	72,485,785
Investment Properties	13	228,668,389	223,168,389	173,868,389
Property and Equipment - Net	14	104,051,880	106,417,545	108,991,546
Accrued Investment Income	16	1,834,512	1,295,060	1,382,642
Other Assets	17	25,362,193	15,942,925	10,219,280
TOTAL ASSETS		P 2,027,932,511	P 1,726,916,568	P 1,467,811,466
LIABILITIES AND EQUITY				
Reserve for Unearned Premiums	18	P 390,452,128	P 348,680,331	P 275,705,474
Insurance Claims Payable	19	321,200,009	127,241,747	169,570,861
Accounts Payable and Accrued Expenses	20	128,398,464	142,185,511	108,216,636
Reinsurance Liabilities	21	62,073,641	35,530,635	47,568,384
Deferred Commission Income	15	12,063,060	12,642,734	12,922,628
Deferred Tax Liabilities	30	8,790,956	10,024,205	10,035,722
Lease Liability	32	4,713,661	567,571	-
Total Liabilities		927,691,919	676,872,734	624,019,705
EQUITY				
Share Capital	22	400,000,000	400,000,000	350,000,000
Contributed Surplus		350,000	350,000	350,000
Revaluation Reserve on:				
Property and Equipment - net		23,416,684	23,416,684	23,416,684
AFS Financial Assets	10	(14,619,603)	(14,037,286)	(4,235,849)
Retained Earnings - December 31		691,093,511	640,314,436	474,260,926
Total Equity		1,100,240,592	1,050,043,834	843,791,761
TOTAL LIABILITIES AND EQUITY		P 2,027,932,511	P 1,726,916,568	P 1,467,811,466

See Accompanying Notes to Financial Statements

WESTERN GUARANTY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(With comparative figures for the year ended December 31, 2019)

	Notes		2020		2019
REVENUES					
Gross Premiums Earned	24	P	889,381,010	P	886,260,148
Reinsurance Premium Ceded	24		138,476,688		116,418,937
Net Insurance Revenue			750,904,322		769,841,211
Commission Income	27		26,322,585		28,559,353
Interest and Other Investment Income - Net	25		10,505,558		9,431,503
Unrealized Fair Value Gain on Investment Properties	13		-		46,800,000
			787,732,465		854,632,067
CLAIMS, LOSSES AND ADJUSTMENT EXPENSES					
Insurance Claims, Losses and Adjustment Expenses Paid- Net of Salvages and Recoveries	26		325,378,802		388,215,442
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	26		(19,648,811)		(104,329,550)
Changes in Insurance Claims Payable			193,958,262		89,481,273
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses			(157,130,613)		(64,549,621)
			342,557,640		308,817,544
COSTS AND EXPENSES					
Commission Expense	27		186,174,561		144,087,636
General and Administrative Expenses	28		190,727,919		188,343,772
			376,902,480		332,431,408
INCOME BEFORE INCOME TAX EXPENSE			68,272,345		213,383,115
INCOME TAX EXPENSE	30		17,493,270		47,329,605
PROFIT FOR THE YEAR		P	50,779,075	P	166,053,510
OTHER COMPREHENSIVE LOSS					
Item to be reclassified to profit or loss in subsequent periods:					
Fair value changes in AFS investments	10		(582,317)		(9,801,437)
TOTAL COMPREHENSIVE INCOME		P	50,196,758	P	156,252,073

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(With comparative figures for the year ended December 31, 2019)

	Notes		2020		2019
SHARE CAPITAL	22				
Balance, January 1		P	400,000,000	P	350,000,000
Issuance during the year			-		50,000,000
Balance, December 31			400,000,000		400,000,000
CONTRIBUTED SURPLUS			350,000		350,000
REVALUATION RESERVE					
Property and equipment - *Net of Tax*			23,416,684		23,416,684
Available-for-Sale Financial Assets	10				
Balance, January 1			(14,037,286)		(4,235,849)
Changes in Fair Values			(582,317)		(9,801,437)
Balance, December 31			(14,619,603)		(14,037,286)
RETAINED EARNINGS					
Balance, January 1			640,314,436		474,260,926
Profit for the Year			50,779,075		166,053,510
Balance, December 31			691,093,511		640,314,436
		P	1,100,240,592	P	1,050,043,834

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With comparative figures for the year ended December 31, 2019)

	Notes		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Income Before Income Tax Expense		P	68,272,345	P	213,383,115
Adjustments for:					
Amortization of Premium on Held-to-Maturity Investments	10		730,146		146,488
Amortization of Deferred Acquisition Cost - Net	15		(16,076,371)		(21,429,357)
Provision for Impairment Loss on Premium Receivables	11		1,277,419		-
Provision for Impairment Loss on Reinsurance Assets	12		1,756,428		-
Depreciation	14		9,592,739		10,166,046
Increase in Reserve for Unearned Premiums			41,771,797		72,974,857
Unrealized Fair Value Gain on Investment Properties	13		-		(46,800,000)
Unrealized Loss on Foreign Exchange	25		131,034		-
Loss (Gain) on Sale of Available-for-Sale Investments	25		(1,271)		259,350
Interest Income	25		(10,466,661)		(8,895,364)
Dividend Income	25		(168,660)		(181,752)
Interest Expense	32		240,112		47,242
Operating Income Before Working Capital Changes			97,059,057		219,670,625
Decrease (Increase) in Operating Assets:					
Insurance Balance Receivables			(41,630,696)		(300,471,083)
Reinsurance Assets			(193,503,980)		104,701,804
Other Assets			(6,512,851)		(3,399,114)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable and Accrued Expenses			11,852,885		13,384,087
Reinsurance Liabilities			26,543,006		(12,037,749)
Insurance Claims Payable			193,958,262		(42,329,114)
Cash Provided by (Used in) Operations			87,765,683		(20,480,544)
Income Taxes Paid			(47,272,867)		(29,080,865)
Net Cash Provided by (Used in) Operating Activities			40,492,816		(49,561,409)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale/Maturities of:					
Financial Assets:					
Short-term Investments			25,923,182		24,133,871
Available-for-Sale			267,805		1,303,432
Held-to-Maturity			107,558,834		49,918,819
Acquisitions of:					
Property and Equipment	14		(2,587,819)		(6,615,093)
Investment Property	13		(5,500,000)		(2,500,000)
Financial Assets:					
Short-term Investments			(24,895,363)		(25,923,182)
Available-for-Sale	10		(963,947)		(1,258,569)
Held-to-Maturity	10		(179,273,597)		(53,418,819)
Interest and Dividend Received			10,095,868		9,164,698
Net Cash Used in Investing Activities			(69,375,037)		(5,194,843)
CASH FLOWS FROM FINANCING ACTIVITIES					
Amortization of Lease Liability:	32				
Principal			(584,059)		(409,381)
Interest			(149,218)		(47,242)
Proceeds from Issuance of Capital			-		50,000,000
Net Cash Provided by (Used in) Financing Activities			(733,277)		49,543,377
NET DECREASE IN CASH AND CASH EQUIVALENTS			(29,615,498)		(5,212,875)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			(131,034)		-
CASH AND CASH EQUIVALENTS, JANUARY 1			144,381,207		149,594,082
CASH AND CASH EQUIVALENTS, DECEMBER 31		P	114,634,675	P	144,381,207

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Corporate Information

WESTERN GUARANTY CORPORATION (Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 31, 1964 with SEC Reg. No. 25659. The Company insure houses, tenements, merchandise and all other property and effects, real or personal against loss or damage by fire, storm, earthquake shock, fire resulting from earthquake accident or otherwise, and to carry on the ordinary business of fire insurance in all of the aforesaid branches.

The Company's registered office address which is also its principal office is at the 11th Floor, ETY Building, 484 Quintin Paredes St., Binondo, Manila.

The financial statements of the Company as of and for the year ended December 31, 2020 (including the comparative figures as of and for the year ended December 31, 2019) were authorized for issue by the Board of Directors on July 1, 2021.

2. Basis of Preparation and Presentation

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

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements have been prepared on a historical cost basis except for the following which are measured at fair values:

- Available-for-Sale Financial Assets
- Investment Properties
- Buildings included under Property and Equipment

The financial statements are presented in Philippine Peso and all values represent absolute amounts except as otherwise indicated.

The Company presents its statements of financial position broadly following the order of its liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in Note 32.

The Company presents a third statement of financial position as at the beginning of the preceding period as a result of retrospective restatement and reclassification of items that has a material effect on the information in the statement of financial position.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less that are subject to insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of more than three months up to one year from dates of placement. These earn interests at the respective short-term investment rates.

Financial Instruments

Date of Recognition
Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL "Fair Value through Profit & Loss", the initial measurement of these financial instruments includes transaction costs.

Determination of Fair Value
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instruments or from the results based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and are reported at its net values in the statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instruments
The Company classifies financial assets into the following categories, (i) At FVPL, (ii) Available-for-Sale, (iii) Held-to-Maturity and (iv) Loans and Receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or the liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition, and where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL
  Financial Assets and Financial Liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition at FVPL. After initial recognition, Financial Assets and Financial Liabilities at FVPL are carried at fair value.

  A financial asset and financial liability is classified as held for trading if:

  - It has been acquired principally for the purpose of selling in the near future; or
  - It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
  - It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as FVPL upon initial recognition if:

  - Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
  - The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis; or
  - It forms part of a contract containing one or more embedded derivatives.

  As of December 31, 2020, and 2019, there are no financial assets under this category.

- Available-for-Sale (AFS)
  AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in the equity account as "*Revaluation Reserve on AFS Financial Assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in the profit or loss for the period.

  As at December 31, 2020 and 2019, financial assets under this category amounted to P25,522,564 and P25,407,468, respectively.

- Loans and Receivables
  Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

  Included under this category are the company's Cash and Cash Equivalents, Short-term Bank Placements, Other Loans and Receivables, Insurance Balance Receivable, Reinsurance Assets, Other Receivable, and deposits and security funds lodged under Other Assets.

- Held-to-Maturity (HTM)
  HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

As at December 31, 2020 and 2019, financial assets under this category amounted to P300,789,135 and P229,804,518, respectively, comprising of government securities and corporate bonds.

- Other Financial Liabilities
  Issued financial instruments or their components, which are not designated as FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

  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 integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

  Included under this category are Accounts Payable and Accrued Expenses, Insurance Claims Payable and Reinsurance Liabilities.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met:

(i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near future; and
(ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

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

(i) Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on Loans and Receivables or Held-to-Maturity investments 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 discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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 profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) Available-for-Sale Financial Assets
Available-for-Sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as

significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Derecognition of Financial Instruments

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of 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.
- 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 the 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 original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Insurance Contract
Insurance contracts are defined as those contracts under which the Company (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. As a general guideline, the Company defines insurance risk as significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

Insurance Balance Receivables
These include amounts due from insurance contracts and due from ceding companies.

Insurance Balance Receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration received for the period or coverage. Subsequent to initial recognition, Insurance Balance Receivables are measured at amortized cost.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

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

Reinsurance
The Company cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and in accordance with the reinsurance contract.

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

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

The Company also assumes (Facultative) reinsurance risk in the normal course of business for insurance contracts. 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. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

Deferred Acquisition Costs
Commissions and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the statement of income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred Acquisition Costs". All Other costs are recognized as incurred.

Investment Properties
Investment Properties consist of properties held for long term rental yields and/or for capital appreciation. Investment Properties are initially measured at cost, including transaction costs.

After initial recognition, Investment Properties is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment Properties that are being redeveloped for continuing use as Investment Properties or for which the market has become less active continues to be measured at fair value. Investment Properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Property and Equipment
The initial cost of Property and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property and Equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of Property and Equipment. Subsequent to initial recognition, property and equipment, except buildings, are carried at cost less accumulated depreciation and impairment losses, if any.

Buildings are subsequently carried at fair value.

When assets are sold, or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income of such period.

Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets as follows:

Items of Property and Equipment	Estimated Useful Life
Buildings	25 years
Office Equipment	10 years
Furniture and Fixtures	10 years
Transportation Equipment	10 years
Data Processing Equipment	5 years
Leasehold improvement	5 years
Right-of-use Assets	lease term

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

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.

Software
Internally developed software which is not specifically identifiable and integral part to a specific hardware is an intangible asset. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on straight-line method over their estimated useful life of 10 years.

Creditable withholding taxes
Creditable withholding taxes represent amounts withheld by Company's counterparties in relation to premiums earned. Subsequently, these amounts are applied against the Company's income tax liabilities.

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

(i) *Assets carried at amortized cost*
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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 profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) *Available-for-sale financial assets*
Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Insurance Claims Payable
Liabilities for claims is calculated as the sum of Outstanding claims reserve, Claims handling expense, and Incurred but not reported claims (IBNR), with Margin for Adverse Deviation (MfAD). At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of liabilities for claims. In performing the test for premium liabilities, the Unearned Risk Reserve (URR) is compared to the Unearned Premium Reserve (UPR). If the URR is greater than the UPR, the excess is set up as an additional premium liability on top of the UPR.

In calculating IBNR, the following primary reserving methodologies were applied in the valuation process

- Chain ladder or Loss Development Triangles Method
- Bornhuetter-Ferguson method.
- Expected Loss Ratio Method

The Actuary determines the appropriateness of the methodology considering the characteristics of the data available. The Actuary also assesses the reliability of the expected loss ratios by obtaining estimates from various sources, such as underwriters, the business plan, market statistics, or from a historic view of profitability and loss ratios. In valuing the claims liabilities, the Actuary also considers other factors such as, but not limited to, varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program, changes in claims handling process, and external conditions.

To ensure sufficiency of reserves, the Actuary conducts a back-testing exercise by comparing actual and expected experience based on previous valuations. Claim liabilities also include MfAD to allow for inherent uncertainty of the best estimate.

Premium Reserves
Premium reserves refer to all future claim payments arising from future events after the valuation date that are insured under unexpired policies, as well as expenses for policy management and claims settlement, and is computed as the higher of the UPR and URR at a designated level of confidence, on both gross and net of reinsurance basis.

UPR is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date, and is recognized as revenue over the period of the policy using the 24th method. URR is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs. In estimating URR, the Company adopted the loss ratio approach by multiplying the UPR with loss ratios adjusted by taking into account all potential future payments including but not limited to future claims payments, retrocession costs, unallocated loss adjustment expense and ongoing policy administration costs arising from the unearned portion of premium collected. A computation is performed to determine whether the URR required is greater or less than the UPR. If the URR is greater, then the difference should be booked as an additional reserve on top of the UPR.

Accounts Payable and Accrued Expenses
Accounts and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts Payable are non-interest bearing and are stated at their nominal value.

Accounts payable are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019.

As a Lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payment that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Equity</u>

Share Capital
Share Capital is determined using the nominal value of shares that have been subscribed (or issued and paid-up).

Contributed Surplus
Contributed surplus represent additional contribution of stockholders to the Company in compliance with the requirement of the Insurance Commission.

Retained Earnings
Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, net of dividends declared.

Revaluation Reserve on AFS Financial Assets
This represents gains or losses arising from fair value changes of Available-for-Sale financial assets.

Revaluation Reserve – Property and Equipment
This represents the appraisal increment on real estate, which are presented at appraised values in the financial statements net of deferred income tax.

Revenue Recognition
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. The following specific revenue recognition criteria must also be met before revenue is recognized.

Premiums
Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums*" and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for Reinsurance Premiums*" and lodge under "*Reinsurance Assets*" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

Reinsurance Commission
Reinsurance Commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "*Deferred Commission Income*" in the liabilities section of the statement of financial position.

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Dividend Income
Dividend Income is recognized when the right to receive dividends is established.

Realized Gains and Losses
Realized Gains and Losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

Cost and Expense Recognition

Claims
This account consists of claims paid to policyholders, which includes changes in the valuation of insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Commission Expense
Commissions paid to cedants are deferred and are included in deferred acquisition cost, subject to the same amortization method.

Expense Recognition
Expenses are recognized when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses and interest expense, except for lease agreements, are recognized in the statement of income as they are incurred.

Retirement Benefit Cost

The net Defined Benefit Liability or asset is the aggregate of the present value of the Defined Benefit Liability at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:
(a) Service cost
(b) Net interest on the net Defined Benefit Liability or asset; and
(c) Re-measurements of net Defined Benefit Liability or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

Net interest on the net Defined Benefit Liability or asset is the change during the period in the net Defined Benefit Liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net Defined Benefit Liability or asset. Net interest on the net Defined Benefit Liability or asset is recognized as expense or income in profit or loss.

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

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

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

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal 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 profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the 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 tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of Deferred Tax Assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of Deferred Tax Liabilities and Assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for Investment Properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in Deferred Tax Assets or Liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred Tax Assets and Deferred Tax Liabilities are offset if the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Foreign Currency Transactions and Translations
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 Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Related Party Transactions
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control or common significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Provisions
Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After End of the Reporting Period
Any event after the financial reporting date that provides additional information about the Company's position at the financial reporting date (adjusting event) are reflected in the financial statements. Any event after the financial reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Changes in Accounting Standards and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2020. Unless otherwise stated, the new standards and amendments did not have any material impact to the Company.

Amendments to PFRS 3, Business Combinations – Definition of a Business
The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to PFRS 7, Financial Instruments: Disclosures, PFRS 9, Financial Instruments, and PAS 39, Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform
The amendments to PFRS 9 and PAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Company does not have any interest rate hedge relationships.

Amendments to PFRS 16, Leases – Covid-19-Related Rent Concessions
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- the rent concession is a direct consequence of COVID-19;
- the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to the other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment, issued on May 28, 2020, is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any of the financial statements – interim or annual – not yet authorized for issue. The Company adopted the amendment on its effective date.

The Company will continue to monitor future rent concessions that will fall within the scope of this amendment and assess its impact on the Company's financial position and operations, when applicable.

Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Effective subsequent to December 31, 2020
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, the Company does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2021

Amendments to PFRS 4, PFRS 7, PFRS 9, and PFRS 16 – Interest Rate Benchmark Reform – Phase 2
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- relief from discontinuing hedging relationships; and
- relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Company shall also disclose information about:

- the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, Reference to the Conceptual Framework
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The amendments added an exception to the recognition principle of PFRS 3, Business Combinations, to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or Philippine IFRIC 21, Levies, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use
The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Company first applies the amendment.

Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied to contracts for which the Company has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-Time Adopter
  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged

on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current.
The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

PFRS 17, Insurance Contracts
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

Interpretation with Deferred Effective Date

Amendments to PFRS 10, Financial Statements, and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires Management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying 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 the circumstances. Actual results may actually differ from such estimates.

Judgments

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

Classification of Investments
In classifying its investments, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classifications of investments as at December 31, 2020 and 2019 are as follows:

		2020		2019
Available-for-sale	P	**25,522,564**	P	25,407,468
Held-to-maturity		**300,789,135**		229,804,518

Classification and Valuation of Investment Properties and Owner-Occupied Properties
The Company reclassifies its revenue generating properties to Investment Properties, leaving owner-occupied properties under Property and Equipment, both carried at their respective Market Values, and the corresponding recognition of the resulting increase in fair value in the Profit and Loss for Investment Properties and Revaluation Reserve for owner-occupied properties.

Investment Properties, amounted to P228,668,389 in 2020 and P223,168,389 in 2019.

Owner-occupied properties, net of accumulated depreciation and impairment losses amounted to P104,051,880 and P106,417,545 in 2020 and 2019, respectively.

Estimates
In the application of the Company's accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Determination of Fair Value of Financial Assets and Liabilities
Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate.

The fair value hierarchy of the Company's financial instruments are summarized in the tables below:

		2020				
		Level 1		**Level 2**		**Level 3**
AFS Investments						
Listed equity securities	P	**20,918,064**	P	**-**	P	**-**
Equity fund		**-**		**4,604,500**		**-**
HTM Investments						
Government securities		**296,051,295**		**-**		**-**
Corporate securities		**15,553,558**		**-**		**-**
Loans and receivables						
Mortgage loans		**-**		**-**		**2,400,000**
Cash and cash equivalents		**-**		**-**		**111,824,675**
Short-term investments		**-**		**-**		**24,895,363**

		2019				
		Level 1		Level 2		Level 3
AFS Investments						
Listed equity securities	P	20,407,468	P	-	P	-
Equity fund		-		5,000,000		-
HTM Investments						
Government securities		217,968,475		-		-
Corporate securities		13,515,373		-		-
Loans and receivables						
Mortgage loans		-		-		2,400,000
Cash and cash equivalents		-		-		142,224,607
Short-term investments		-		-		25,923,182

The company measures fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1
  Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.

  Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2
  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3
  Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair values were determined as follows:

- Cash and Cash Equivalents, Short-term Investments – the fair values are approximately the carrying amounts due to short-term nature.
- Quoted Debt Securities (Government and Corporate) – the fair values were determined from the published references from Philippine Dealing System or third-party information.
- Listed Equity Securities - the fair values were determined from the published prices from Philippine Stock Exchange.
- Equity Fund – The fair value was determined via Net Asset Value per share/units. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.

7. Management of Insurance Risk, Financial Risk and Capital

Insurance Risk

The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur due to any of the following:

a) Occurrence risk – the possibility that the number of insured events will differ from those expected.
b) Severity risk – the possibility that the cost of the events will differ from those expected.
c) Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

The business of the Company mainly comprises of short-term non-life insurance contract.

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

The concentration of insurance claims as at December 31, 2020 and 2019 is as follows:

	2020			2019		
	Gross	Share of Reinsurer	Net Liability	Gross	Share of Reinsurer	Net Liability
Fire	P 209,466,568	P 182,319,401	P 27,147,167	P 48,940,348	P 37,485,860	P 11,454,488
Motor car	12,339,559	-	12,339,559	14,143,763	-	14,143,763
Personal accident	879,457	399,023	480,434	940,512	274,614	665,898
Engineering	180,000	-	180,000	39,650	-	39,650
Other lines	744,482	-	744,482	713,005	-	713,005
	P 223,610,066	P 182,718,424	P 40,891,642	P 64,777,278	P 37,760,474	P 27,016,804

**Amounts are net of IBNR amounting to P97,589,943 in 2020 and P62,464,469 in 2019*

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its insurance receivable. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

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

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counter party or group of counter parties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Exposure

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2020 and 2019.

	2020	2019
Cash and cash equivalents*	P 111,824,675	P 142,224,607
Short term investments	24,895,363	25,923,182
Financial Assets:		
AFS	25,522,564	25,407,468
HTM	300,789,135	229,804,518
Loans and receivables	2,400,000	2,400,000
Insurance balances receivable	763,816,367	722,185,671
Reinsurance assets	259,562,316	79,220,910
Accrued investment income	1,834,512	1,295,060
Other assets	13,282,457	10,076,875
	P 1,503,927,389	P 1,238,538,291

**Excludes cash on hand of P2,810,000 in 2020 and P2,156,600 in 2019*

Credit Quality
The credit quality of financial assets is as follows:

	As of December 31, 2020			
	Neither past due nor impaired		Past due	
	High grade	Standard grade	& impaired	Total
Cash and cash equivalents*	P 111,824,675	P -	P -	P 111,824,675
Short-term investments	24,895,363	-	-	24,895,363
Financial Assets:				
AFS	12,265,809	13,256,755	-	25,522,564
HTM	300,789,135	-	-	300,789,135
Loans and receivables	-	2,400,000	-	2,400,000
Insurance balances receivable	-	762,538,948	1,277,419	763,816,367
Reinsurance assets	-	257,805,888	1,756,428	259,562,316
Accrued investment income	-	1,834,512	-	1,834,512
Other assets	-	13,282,457	-	13,282,457
	P 449,774,982	P 1,051,118,560	P 3,033,847	P 1,503,927,389

Excludes cash on hand of P2,810,000

	As of December 31, 2019			
	Neither past due nor impaired		Past due	
	High grade	Standard grade	& impaired	Total
Cash and cash equivalents*	P 142,224,607	P -	P -	P 142,224,607
Short-term investments	25,923,182	-	-	25,923,182
Financial Assets:				
AFS	12,524,495	12,882,973	-	25,407,468
HTM	229,804,518	-	-	229,804,518
Loans and receivables	-	2,400,000	-	2,400,000
Insurance balances receivable	-	722,185,671	-	722,185,671
Reinsurance assets	-	79,220,910	-	79,220,910
Accrued investment income	-	1,295,060	-	1,295,060
Other assets	-	10,076,875	-	10,076,875
	P 410,476,802	P 828,061,489	P -	P 1,238,538,291

**Excludes cash on hand of P2,156,600*

The following table discusses the methodologies that the Company used to grade financial assets:

Financial asset	Investment grade	Measurement basis
Cash and cash equivalents and Short-term investments	High grade	Cash deposits with universal and commercial banks in the Philippines
	Standard grade	Cash deposits that are not classified as high grade accounts.
Debt securities	High grade	Debt securities issued by the Philippine government which are considered risk free. Debt securities that are issued by private corporations that possesses the capacity to meet financial obligation.
	Standard grade	Debt securities that are not classified as High grade securities.
Equity securities	High grade	Listed equity securities belonging to PSEi
	Standard grade	Equity securities not belonging to PSEi
Insurance and reinsurance accounts and deposits	High grade	The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits
	Standard grade	Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The aging analysis of Insurance Balance Receivables and Reinsurance Recoverable on Paid and Unpaid Losses follows:

	Direct and Assumed Accounts				Reinsurance Loss Recoverable		
2020	**Due from Agents & Brokers**	**Due from Ceding Companies**	**Funds held by Ceding Companies**	**Total**	**Paid**	**Unpaid**	**Total**
30 days	**P 80,858,528**	**P 2,333,862**	**P 5,943,515**	**P 89,135,905**	**P 23,560,091**	**P 28,831,214**	**P 52,391,305**
60 days	**88,165,498**	**12,684,758**	**-**	**100,850,256**	**97,382**	**61,123,342**	**61,220,724**
over 60 days	**534,639,904**	**36,309,183**	**2,881,119**	**573,830,206**	**24,355,204**	**121,595,083**	**145,950,287**
	P 703,663,930	**P 51,327,803**	**P 8,824,634**	**P 763,816,367**	**P 48,012,677**	**P 211,549,639**	**P 259,562,316**

	Direct and Assumed Accounts				Reinsurance Loss Recoverable		
2019	Due from Agents & Brokers	Due from Ceding Companies	Funds held by Ceding Companies	Total	Paid	Unpaid	Total
30 days	P 116,600,284	P 8,003,552	P 559,989	P 125,163,825	P -	P 16,316,886	P 16,316,886
60 days	135,867,569	7,427,826	-	143,295,395	-	11,125,000	11,125,000
over 60 days	408,527,586	42,877,735	2,321,130	453,726,451	24,801,885	26,977,139	51,779,024
	P 660,995,439	P 58,309,113	P 2,881,119	P 722,185,671	P 24,801,885	P 54,419,025	P 79,220,910

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specify the sources of funding and the vents that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2020 and 2019 are presented below:

	Contractual maturities			
2020 (in thousand)	**< 1 year**	**> 1 year < 5 years**	**>5 years**	**Total**
Financial assets that are :				
Cash and cash equivalents	P 111,825	P -	P -	P 111,825
Short-term investments	24,895	-	-	24,895
HTM	98,609	165,583	36,597	300,789
Loans and receivables	2,400	-	-	2,400
Insurance balances receivable	763,816	-	-	763,816
Reinsurance assets	259,562	-	-	259,562
Accrued investment income	1,835	-	-	1,835
Other assets	13,282	-	-	13,282
Financial liabilities:				
Insurance claims payable	321,200	-	-	321,200
Accounts payable				-
and accrued expenses	128,398	-	-	128,398
Reinsurance liabilities	62,074	-	-	62,074

	Contractual maturities			
2019 (in thousand)	< 1 year	> 1 year < 5 years	>5 years	Total
Financial assets that are :				
Cash and cash equivalents	P 142,225	P -	P -	P 142,225
Short-term investments	25,923	-	-	25,923
HTM	107,601	83,586	38,618	229,805
Loans and receivables	2,400	-	-	2,400
Insurance balances receivable	722,186	-	-	722,186
Reinsurance assets	79,221	-	-	79,221
Accrued investment income	1,295	-	-	1,295
Other assets	10,077	-	-	10,077
Financial liabilities:				
Insurance claims payable	127,242	-	-	127,242
Accounts payable				
and accrued expenses	142,186	-	-	142,186

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

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

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

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

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

Sensitivity analysis of market risk exposures follows:

i. Currency Risk
Foreign currency risk pertains to US$ denominated cash, special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2020 and 2019 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

	2020		2019	
	Phil. Peso	US $	Phil. Peso	US $
Cash and cash equivalents	P 2,447,825	$ 50,958	P 13,211,733	$ 260,921
Short-term investments	1,170,326	24,364	1,215,240	24,000
	P 3,618,151	$ 75,322	P 14,426,973	$ 284,921

**The exchange rate used was P48.036 in 2020 and P 50.635 in 2019 to US$ 1.00*

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

	2020		2019	
Effect on	Net income	Equity	Net income	Equity
5% appreciation	P 451,128	P 315,790	P 553,511	P 387,458
5% depreciation	(451,128)	(315,790)	(553,511)	(387,458)

ii. Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

		As of December 31, 2020		
		Due in		
	Interest rate	< 1 year	> 1 year but <5 years	> 5 years
Financial assets that are:				
Cash and cash equivalents	**0.25% - 2.75%**	**P 111,824,675**	**P -**	**P -**
Short-term investments	**0.05% - 3%**	**24,895,363**	**-**	**-**
HTM	**1.312% - 7.818%**	**98,609,165**	**165,583,040**	**36,596,930**

		As of December 31, 2019		
		Due in		
	Interest rate	< 1 year	> 1 year but <5 years	> 5 years
Financial assets that are:				
Cash and cash equivalents	.5% - 3.6%	P 142,224,607	P -	P -
Short-term investments	1.25% - 2.75%	25,923,182	-	-
HTM	2.725% - 7.38%	107,600,618	83,586,033	38,617,867

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

	Changes in basis points		Effect on income before income tax
2020	**+100**	**P**	**1,524,339**
	- 100		**(1,524,339)**
2019	+100	P	1,699,279
	- 100		(1,699,279)

iii. Price Risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as "The Insurance Code of the Philippines (the Code)". The Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Code further provides, among other things that insurance companies may only invest in stocks of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.

Beyond the provisions of the Code, the Company has established additional guidelines to control the risks inherent in equity investments. The Company's investment policy requires that they invest only in shares of companies that are listed in the Philippine Stock Exchange. Further, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

		Impact on Equity		
Percentage change in market prices		**2020**		2019
10% - increase	P	**2,552,256**	P	2,540,747
10% - decrease		**(2,552,256)**		(2,540,747)

iv. Operational Risk
Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

Capital Management and Net Worth Requirement
The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The company regards the following as the capital it manages as at December 31, 2020 and 2019.

		2020		2019
Share Capital	P	**400,000,000**	P	400,000,000
Contributed Surplus		**350,000**		350,000
Retained Earnings		**691,093,511**		640,314,436
	P	**1,091,443,511**	P	1,040,664,436

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.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum networth		Compliance date
P	550,000,000	December 31, 2016
	900,000,000	December 31, 2019
	1,300,000,000	December 31, 2022

Insurance Memorandum Circular 22-2008 further clarified that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the networth is at least equal to the actual paid up capital.

For the year ended December 31, 2019 and as reported in the approved synopsis, the Company did not meet the minimum required networth. This was subsequently covered up in full through reconsideration of subsequent collection of premium receivables.

For the year ended December 31, 2020, the Company believes that it is compliant with required networth even after the non-admitted assets.

Risk-Based Capital Requirement
The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recogition of eligible capital;
- Governance and risk management requirement that consists of supervisory review process which may include a supervisory adjustment to capital; and
- Disclosure requirement designed to encourage market discipline.

The minimum RBC ratio is set at 100% which are requried to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is required to submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50. The Company is placed under the regulatory control of IC.

The RBC ratio is calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of Net Worth and RBC ratio as at December 31, 2020 in comparison to actual figures as confirmed in the IC Synopsis for 2019 revealed the following:

		2020		2019
Networth	**P**	**1,100,240,592**	P	1,068,581,257
RBC requirement		**124,743,831**		100,619,704
RBC ratio		**882%**		1062%

The computation of RBC is based on the regulatory accounting policy in accordance the Philippine Insurance Code. The RBC can be determined only after the accounts of the Company have been examined by the IC.

8. Cash and Cash Equivalents

This account consists of:

		2020		2019
Cash on Hand	P	**2,810,000**	P	2,156,600
Cash in Banks		**99,058,909**		135,775,094
Cash Equivalents		**12,765,766**		6,449,513
	P	**114,634,675**	P	144,381,207

Cash on Hand represents petty cash fund, commission fund and various branch operating funds while Cash in banks represent cash deposited in various reputable local banks that earn interests at the respective banks' deposit rates.

Cash Equivalents are short-term placements made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements rates.

Cash in Bank and Cash Equivalents earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P385,684 in 2020 and P52,702 in 2019. (See Note 25)

9. Short-term Investments

This account consists of time deposit with maturity of more than three months but less than one year from the date acquired. As of December 31, 2020 and 2019, the balance of short-term investments amounted to P24,895,363 and P25,923,182 respectively.

Short-term investments earn interest at annual interest rates ranging from 0.05% to 3% and 1.25% to 2.75%, in 2020 and 2019, respectively. Interest income earned on these investments amounted to P360,923 in 2020 and P469,330 in 2019. (See Note 25)

10. Financial Assets

This account consists of the following:

		2020		2019
Available-for-sale (AFS) investments	P	**25,522,564**	P	25,407,468
Held-to-maturity (HTM) investments		**300,789,135**		229,804,518
Loans and receivable		**2,400,000**		2,400,000

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is provided below:

	December 31, 2020			
	AFS	HTM	Loans and receivables	Total
Balance, January 1	**P 25,407,468**	**P 229,804,518**	**P 2,400,000**	**P 257,611,986**
Acquisitions	**963,947**	**179,273,597**	**-**	**180,237,544**
Sale/Maturity	**(266,534)**	**(107,558,834)**	**-**	**(107,825,368)**
Changes in Fair Value	**(582,317)**	**-**	**-**	**(582,317)**
Amortization of Premium	**-**	**(730,146)**	**-**	**(730,146)**
Balance, December 31	**P 25,522,564**	**P 300,789,135**	**P 2,400,000**	**P 328,711,699**

	December 31, 2019			
	AFS	HTM	Loans and receivables	Total
Balance, January 1	P 35,513,118	P 226,451,006	P 2,400,000	P 264,364,124
Acquisitions	1,258,569	53,418,819	-	54,677,388
Sale/Maturity	(1,573,107)	(49,918,819)	-	(51,491,926)
Changes in Fair Value	(9,791,112)	-	-	(9,791,112)
Amortization of Premium	-	(146,488)	-	(146,488)
Balance, December 31	P 25,407,468	P 229,804,518	P 2,400,000	P 257,611,986

Available-for-Sale Financial Assets
The breakdown of this account is as follows:

	2020	2019
Acquisition Cost:		
Listed Equity Securities		
Common	**P 35,135,167**	P 34,437,754
Preferred	**7,000**	7,000
Equity Fund	**5,000,000**	5,000,000
	40,142,167	39,444,754
Changes in Fair Value:		
Listed Equity Securities		
Common	**(14,217,103)**	(16,520,286)
Preferred	**(7,000)**	2,483,000
Equity Fund	**(395,500)**	-
	(14,619,603)	(14,037,286)
	P 25,522,564	P 25,407,468

Listed equity securities represents shares of stock that are traded in the Philippine Stock exchange. Equity fund are pooled funds managed by the Philamlife group. Fair values are determined in a manner discussed in Note 6.

Realized gains on these investments reported in the statement of comprehensive income are as follows:

	2020	2019
Dividend Income	**P 168,660**	P 181,752
Gain (Loss) on Sale of Equity Securities	**1,271**	(259,350)

The reconciliation of unrealized fair value losses are as follows:

	2020	2019
Balance at the beginning of the year	**P (14,037,286)**	P (4,235,849)
Fair value adjustments taken to:		
Other Comprehensive Income	**(582,317)**	(9,801,437)
	P (14,619,603)	P (14,037,286)

Held-to-Maturity Financial Assets
The breakdown of this account is as follows:

	2020	2019
Government Securities	**P 284,087,420**	P 216,000,000
Corporate Bonds	**15,000,000**	13,000,000
	299,087,420	229,000,000
Unamortized Premium, Net of Discounts	**1,701,715**	804,518
	P 300,789,135	P 229,804,518

Government securities has a maximum term of 25 years with coupons rates ranging from 1.312% to 7.375%. Government securities with face value of P284.09 million in 2020 and P216 million in 2019, are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 1 year to 5 years and bears interest at the rate of 2.5% to 6.75% payable quarterly or semi-annually.

The net changes in unamortized premium is charged to interest income amounting to P730,146 in 2020 and (P146,487) in 2019.

The contractual maturities of Held-to-Maturity investments are as follows:

	2020	2019
Due within 12 months	**P 98,587,420**	P 107,500,000
Due after 1 year but not more than 5 years	**164,500,000**	83,500,000
Due beyond 5 years.	**36,000,000**	38,000,000
	P 299,087,420	P 229,000,000

Loans and receivable
This account represents loans granted that are collateralized by real estate mortgaged. As of December 31, 2020 and 2019, the carrying value of the loan amounting to P2.4 million is fully recoverable.

11. Insurance Balance Receivables

The breakdown of this account is as follows:

	2020	2019
Due from Agents and Brokers	**P 703,663,930**	P 660,995,439
Due from Ceding Companies	**51,327,803**	58,309,113
Funds held by ceding companies	**8,824,634**	2,881,119
	763,816,367	722,185,671
Allowance for impairment losses	**(1,277,419)**	-
	P 762,538,948	P 722,185,671

Premium receivables have an average term 90 days to 120 days. Premium receivables represent premiums on written policies.

Reinsurance recoverable on paid losses pertains to the Company's receivables from the reinsurers for their share on the losses paid by the Company.

Due from ceding companies and reinsurers pertains to premiums collectible resulting from treaty and facultative acceptances from ceding companies.

Funds held by ceding companies pertain to the portion of the premium withheld by ceding companies in accordance with the reinsurance contracts.

There is no concentration of credit risk with respect to insurance receivables, as the Company has a diverse base of agents, brokers and reinsurers.

Allowance for impairment losses is individually determined taking into account the age, collection experience, historical loss experience and collateral held.

As of December 31, 2020, allowance for impairment losses is broken down as follows:

Due from ceding companies	P 1,277,419
Reinsurance recoverable on paid losses	1,756,428
	P 3,033,847

12. Reinsurance Assets

This account consists of:

	2020	2019
Reserve for Reinsurance Premium (see Note 18)	**P 70,297,019**	P 57,134,445
Reinsurance Recoverable on:		
Paid Losses	**48,012,677**	24,801,885
Unpaid Losses (see Note 19)	**211,549,639**	54,419,025
	329,859,335	136,355,355
Allowance for impairment losses	**(1,756,428)**	-
	P 328,102,907	P 136,355,355

The movement of Reinsurance Recoverable on Paid Losses is as follows:

		2020		2019
Balance, January 1	P	**24,801,885**	P	31,793,783
Reinsurers' share of losses		**23,657,473**		675
Settlement		**(446,681)**		(6,992,573)
Balance, December 31	P	**48,012,677**	P	24,801,885

13. Investment Properties

As of December 31, the movement of this account is as follows:

		2020		2019
Cost				
At January 1	P	**93,302,826**	P	90,802,826
Additions		**5,500,000**		2,500,000
At December 31		**98,802,826**		93,302,826
Accumulated increase in fair value				
At January 1		**129,865,563**		83,065,563
Fair value gain during the year		**-**		46,800,000
At December 31		**129,865,563**		129,865,563
	P	**228,668,389**	P	223,168,389

Certain investment properties were acquired in extinguishment of debt by way of bond collateral.

The increase in carrying value of investment properties amounting P46.8 million in 2019 arose from the appraisal conducted on December 27, 2019 by Tan-Gatue Appraisal Associates, Inc., an independent firm of appraiser and a specialist in valuing these types of investment properties. The change in fair value is reported as Unrealized Fair Value Gain on Investment Properties in the Statement of Comprehensive Income.

Investment properties consists of:

		2020		2019
Land				
Cebu City	P	**124,197,578**	P	124,197,578
Antipolo, Rizal		**50,000,000**		50,000,000
San Mateo, Rizal		**14,755,000**		14,755,000
Cagayan de Oro		**8,000,000**		2,500,000
Bataan		**5,860,364**		5,860,364
Quezon City		**2,984,952**		2,984,952
Condominium Unit				
Makati City		**1,800,000**		1,800,000
Equity on damaged condominium property		**21,070,495**		21,070,495
	P	**228,668,389**	P	223,168,389

As of December 31, 2020 and 2019, there were no income generated from investment properties above. Direct cost relating to these properties excluding depreciation expense amounted to P207,537 in 2020 and P135,338 in 2019.

The equity claim on damaged condominium property represents the residual interest of the Company over the condominium property that was completely gutted by fire in 2018. Prior to the fire incident, the Company owns a total of 1,023 square meters of condominium units which the Company previously occupies as its head office. Collectively, the Company's interest is equivalent to 13% of the entire property. As of July 1, 2021 the insurance claim of the condominium association amounting to P150 million have been settled. Meanwhile, the latest valuation of the lot where the condominium was previously located was estimated to be P600 million. Hence, management believes that the carrying amount of damaged condominium property is fully recoverable.

As of July 1, 2021, the idea of constructing a high rise building within the damaged property is given due considerations by the condominium corporation.

As of December 31, 2020 and 2019, no investment properties has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of investment properties and no contractual obligation to purchase, construct or developed or for repairs, maintenance for enhancements.

Fair value information of investment properties is presented in Note 6.

14. Property and Equipment - Net

The breakdown of this account is as follows:

2020	Buildings	Leasehold Improvements	Office Equipment Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 32)	Total
Costs							
At January 1, 2020	P 59,480,000	P 9,806,938	P 10,626,251	P 18,900,909	P 36,261,427	P 976,952	P 136,052,477
Additions	-	-	202,261	2,385,558	-	4,639,255	7,227,074
At December 31, 2020	59,480,000	9,806,938	10,828,512	21,286,467	36,261,427	5,616,207	143,279,551
Accumulated depreciation							
At January 1, 2020	1,040,800	1,961,388	1,206,388	7,637,563	17,341,023	447,770	29,634,932
Provisions	1,290,400	1,961,388	993,975	1,970,871	1,936,989	1,439,116	9,592,739
At December 31, 2020	2,331,200	3,922,776	2,200,363	9,608,434	19,278,012	1,886,886	39,227,671
Net Carrying Value							
At December 31, 2020	P 57,148,800	P 5,884,162	P 8,628,149	P 11,678,033	P 16,983,415	P 3,729,321	P 104,051,880

2019	Buildings	Leasehold Improvements	Office Equipment and Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 32)	Total
Costs							
At January 1, 2019	P 59,480,000	P 9,806,938	P 8,420,160	P 16,615,857	P 34,137,477	P -	P 128,460,432
Additions	-	-	2,206,091	2,285,052	2,123,950	976,952	7,592,045
At December 31, 2019	59,480,000	9,806,938	10,626,251	18,900,909	36,261,427	976,952	136,052,477
Accumulated depreciation							
At January 1, 2019	-	-	310,611	5,230,999	13,927,276	-	19,468,886
Provisions	1,040,800	1,961,388	895,777	2,406,564	3,413,747	447,770	10,166,046
At December 31, 2019	1,040,800	1,961,388	1,206,388	7,637,563	17,341,023	447,770	29,634,932
Net Carrying Value							
At December 31, 2019	P 58,439,200	P 7,845,550	P 9,419,863	P 11,263,346	P 18,920,404	P 529,182	P 106,417,545

Had the buildings been carried at cost less accumulated depreciation, their carrying amounts would have been as follows:

		2020		2019
Cost	P	**26,027,597**	P	26,027,597
Accumulated depreciation				
Balance, January 1		**3,747,311**		2,706,207
Provisions		**1,041,104**		1,041,104
Balance at end of year		**4,788,415**		3,747,311
	P	**21,239,182**	P	22,280,286

15. Deferred Acquisition Costs (DAC) and Deferred Commission Income (DCI)

Movements of this account during the year are as follows:

2020		**Deferred Commision Expense**		**Deferred Commision Income**		**Net DAC**
Balances, beginning	**P**	**93,635,248**	**P**	**12,642,734**	**P**	**80,992,514**
Net changes in acquisition cost (see Note 27)		**15,496,697**		**(579,674)**		**16,076,371**
	P	**109,131,945**	**P**	**12,063,060**	**P**	**97,068,885**

2019		Deferred Commision Expense		Deferred Commision Income		Net DAC
Balances, beginning	P	72,485,785	P	12,922,628	P	59,563,157
Net changes in acquisition cost (see Note 27)		21,149,463		(279,894)		21,429,357
	P	93,635,248	P	12,642,734	P	80,992,514

As at December 31 2020 and 2019, management believes that DAC are fully recoverable and that no impairment loss is necessary.

16. Accrued Investment Income

The sources of this account are as follows:

		2020		2019
Accrued Interest on:				
Government Securities	P	**1,821,867**	P	1,292,610
Cash equivalents and Short-term investments		**9,508**		-
Corporate Bonds		**2,222**		-
Loans and receivables		**915**		2,450
	P	**1,834,512**	P	1,295,060

17. Other Assets

This account consists of:

		2020		2019
Due from:				
Employees	P	**11,481,900**	P	8,676,700
Agents		**1,500,420**		1,334,267
Software cost		**7,400,000**		-
Creditable withholding tax		**4,493,403**		5,866,050
Deposits		**234,229**		-
Prepayments		**186,333**		-
Security fund		**65,908**		65,908
	P	**25,362,193**	P	15,942,925

The description of these accounts are as follows:

- Due from employees and Agents have a maturity of less than 12 months collectible thru payroll deductions or commissions due.
- Software cost represent the acquisition cost of Enterprise-wide system for Non-life Insurance which is carried at cost. Recognition of depreciation expense will commence in 2021.
- Creditable withholding tax pertains to the Company's tax withheld at source by its customers. These can be credited against the income tax liability of the Company.
- Prepayments include unused supplies and prepaid insurance.
- Deposits consist mainly of rental and utility deposits in relation to the Company's rental of office space.
- Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of allowed claims against insolvent insurance companies. The balance of the fund amounting to P65,908 in 2020 and 2019 represents the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

18. Reserve for Unearned Premiums

The analysis of this account is as follows:

		2020						2019				
		Gross Premium		**Ceded Business**		**Net Retained**		Gross Premium		Ceded Business		Net Retained
Balances, January 1	P	**348,680,331**	P	**57,134,445**	P	**291,545,886**	P	275,705,474	P	53,568,493	P	222,136,981
Policies Written During the Year		**931,152,807**		**151,639,262**		**779,513,545**		959,235,005		119,984,889		839,250,116
Premiums Earned During the Year		**(889,381,010)**		**(138,476,688)**		**(750,904,322)**		(886,260,148)		(116,418,937)		(769,841,211)
	P	**390,452,128**	P	**70,297,019**	P	**320,155,109**	P	348,680,331	P	57,134,445	P	291,545,886

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24th method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by the ultimate loss ratio and adjusted for future expenses.

The comparative actuarial valuation result for premium liabilities for the year ended December 31, 2020 and 2019 is as follows:

	Gross	
	2020	2019
UPR (a)	**P 390,452,128**	P 348,680,331
URR (b)		
Best Estimate of Future Obligation	**171,985,000**	156,437,000
Maintenance Expenses	**6,954,000**	1,478,000
Claims Handling Expenses	**1,592,000**	1,375,000
Margin for Adverse Deviation	**32,854,349**	25,126,591
	213,385,349	184,416,591
Premium Liability (whichever is higher between a and b)	**P390,452,128**	P348,680,331

19. Insurance Claims Payable

Outstanding claims become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertainty as to whether an event that occurred could give rise to a policyholder suffering an insured loss;
- Uncertainty as to the extent of the policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

The analysis of this account is shown below:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balances, January 1	P 127,241,747	P 54,419,025	P 72,822,722	P 169,016,827	P 20,463,610	P 148,553,217
Claims and Losses Incurred - Net of Recoveries	(228,928,150)	147,948,211	(376,876,361)	(492,454,991)	121,626,413	(614,081,404)
Provision for Incurred but not Reported Claims	97,507,610	28,831,214	68,676,396	62,464,469	16,658,552	45,805,917
Claims and Losses Paid - Net of Recoveries	325,378,802	(19,648,811)	345,027,613	388,215,442	(104,329,550)	492,544,992
	P 321,200,009	P 211,549,639	P 109,650,370	P 127,241,747	P 54,419,025	P 72,822,722

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expenses and IBNR.

Claims handling expenses is computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expenses is incurred as claims are reported, even if no loss payments are made.

MfAD is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate.

The actuarial valuation result for Claims Liabilities for the year ended December 31, 2020 and 2019 is as follows:

	Gross	
	2020	2019
Outstanding claims reserve	P **223,056,033**	P 60,948,630
Claims handling expense	**178,222**	27,880
IBNR	**78,636,729**	56,529,002
Mfad	**19,329,025**	9,736,235
	P **321,200,009**	P 127,241,747

	Net of Reinsurance	
	2020	2019
Outstanding claims reserve	P **40,392,517**	P 23,462,769
Claims handling expense	**127,412**	27,651
IBNR	**61,423,375**	39,870,451
Mfad	**7,707,066**	9,461,851
	P **109,650,370**	P 72,822,722

20. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Other Taxes Payable	P **114,229,193**	P 101,430,529
Income Tax Payable	**7,706,535**	36,252,883
Premium Deposits	**4,138,824**	3,238,823
Accrued Expenses	**2,323,912**	1,263,276
	P **128,398,464**	P 142,185,511

The terms and conditions of these accounts are as follows:

Other Taxes Payable represent documentary stamps, net output vat, premium taxes and other local government taxes outstanding as of the Statement of Financial Position date.

Accrued Expenses represent current liabilities due to various suppliers outstanding as of the Statement of Financial Position date, representing expenses, shared or otherwise direct expenses incurred in its normal course of operation.

Premium Deposits represent collection of advance premium payments for new and existing insurance policy renewals, subsequently offset from premium receivable upon policy issuance.

21. Reinsurance Liabilities

The movements of this account are as follows:

	As of December 31, 2020		
	Due to reinsurers	Funds held for reinsurers	Total
Balance at the beginning	**P 12,565,846**	**P 22,964,789**	**P 35,530,635**
Additions	**71,181,493**	**58,456,842**	**129,638,335**
Reductions	**(58,020,915)**	**(45,074,414)**	**(103,095,329)**
Balance at the end of year	**P 25,726,424**	**P 36,347,217**	**P 62,073,641**

	As of December 31, 2019		
	Due to reinsurers	Funds held for reinsurers	Total
Balance at the beginning	P 25,825,368	P 21,743,016	P 47,568,384
Additions	88,843,007	52,574,159	141,417,166
Reductions	(102,102,529)	(51,352,386)	(153,454,915)
Balance at the end of year	P 12,565,846	P 22,964,789	P 35,530,635

22. Equity

Share Capital
The Company's capital structure as at December 31, 2020 and 2019 is as follows:

	Shares	Amount
Authorized - P100 par value per share	10,000,000	P 1,000,000,000
Issued and outstanding	4,000,000	400,000,000

As at December 31, 2020 and 2019, the Company has 6 stockholders owning 100 or more shares each.

23. Insurance Contracts – Terms, Assumption and Sensitivities

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

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

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

The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, relatively claims are usually assessed by third party Loss Adjusters engaged by the Company.

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

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. There are select sensitivities to certain variables such as legislative changes and inherent uncertainties in the estimation process which are impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Since certain proportional reinsurance facilities are in place, the Company's net exposure to these sensitivities is minimal. The Company considers that the liability recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Sensitivity tests are set out below, showing the impact on profit and loss and equity.

% change in	Impact on income		Impact on equity	
loss ratio	**2020**	2019	**2020**	2019
+5%	**+P37.5 million**	+P38.5 million	**+P26.2 million**	+P26.9 million
-5%	**- P37.5 million**	- P38.5 million	**- P26.2 million**	- P26.9 million

Loss Development Table

Loss development table for the year 2020 and 2019, gross and net of the reinsurer's share is as follows:

Gross Insurance Contract Liabilities in 2020

Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Total
Estimate of ultimate claim cost											
2011 and prior	P 110,222,288	P 95,587,960	P 90,833,606	P 90,898,671	P 90,898,671	P 90,898,671	P 90,898,671	P 90,898,671	P 90,898,671	P 89,698,671	P 89,698,671
2012	127,542,768	106,153,799	107,018,999	107,315,427	107,315,427	107,315,427	106,578,009	106,578,009	106,578,009	-	106,578,009
2013	152,480,182	135,851,381	179,172,440	179,331,850	179,317,440	184,046,700	184,046,700	184,380,225	-	-	184,380,225
2014	176,399,900	204,279,726	205,531,076	206,046,973	205,338,863	204,963,971	204,984,259	-	-	-	204,984,259
2015	181,770,023	234,200,295	236,274,225	239,389,621	239,389,621	239,384,621	-	-	-	-	239,384,621
2016	185,762,327	249,892,040	249,377,971	256,589,731	256,589,731	-	-	-	-	-	256,589,731
2017	242,372,692	303,755,552	293,131,147	292,834,347	-	-	-	-	-	-	292,834,347
2018	303,224,746	395,083,778	400,040,095	-	-	-	-	-	-	-	400,040,095
2019	232,194,286	363,615,012	-	-	-	-	-	-	-	-	363,615,012
2020	450,110,893	-	-	-	-	-	-	-	-	-	450,110,893
Total	450,110,893	363,615,012	400,040,095	292,834,347	256,589,731	239,384,621	204,984,259	184,380,225	106,578,009	89,698,671	2,588,215,863
Provision for IBNR & Mfad	35,043,141	62,464,469									97,507,610
Cumulative payments to date	(157,581,850)	(338,577,403)	(398,312,703)	(291,634,347)	(336,485,730)	(238,935,461)	(204,984,259)	(184,380,225)	(123,932,815)	(89,698,671)	(2,364,523,464)
Liability recognized in the statements of financial position	P 327,572,184	P 87,502,078	P 1,727,392	P 1,200,000	P (79,895,999)	P 449,160	P -	P -	P (17,354,806)	P -	P 321,200,009

Net Insurance Contract Liabilities in 2020

Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Total
Estimate of ultimate claim cost											
2011 and prior	P 67,389,108	P 73,887,366	P 79,541,688	P 79,606,753	P 79,606,753	P 79,606,252	P 79,606,252	P 79,606,252	P 79,606,252	P 78,465,952	P 78,465,952
2012	74,110,073	74,414,241	75,115,104	75,417,897	75,357,802	75,357,802	76,945,890	76,945,890	75,357,802	-	75,357,802
2013	102,171,729	103,310,245	107,033,056	114,392,466	120,551,224	123,536,814	123,536,814	122,359,609	-	-	122,359,609
2014	126,400,288	149,170,708	149,940,450	150,234,873	149,468,598	149,468,598	149,179,642	-	-	-	149,179,642
2015	118,773,611	145,474,374	145,180,550	154,845,562	154,845,562	139,215,467	-	-	-	-	139,215,467
2016	118,968,833	179,348,781	184,762,789	188,391,163	188,391,163	-	-	-	-	-	188,391,163
2017	172,020,238	235,059,103	239,289,568	239,105,861	-	-	-	-	-	-	239,105,861
2018	176,040,660	256,919,015	261,877,883	-	-	-	-	-	-	-	261,877,883
2019	195,837,160	281,370,699	-	-	-	-	-	-	-	-	281,370,699
2020	240,153,438	-	-	-	-	-	-	-	-	-	240,153,438
Total	240,153,438	281,370,699	261,877,883	239,105,861	188,391,163	139,215,467	149,179,642	122,359,609	75,357,802	78,465,952	1,775,477,516
Provision for IBNR & Mfad	22,870,479	45,805,917									68,676,396
Cumulative payments to date	(145,767,602)	(324,407,906)	(261,465,459)	(237,461,459)	(187,300,778)	(154,735,803)	(150,191,922)	(119,359,604)	(75,347,057)	(78,465,952)	(1,734,603,642)
Liability recognized in the statements of financial position	P 117,256,315	P 2,768,710	P 412,424	P 1,644,402	P 1,090,385	P (15,520,336)	P (1,012,280)	P 3,000,005	P 10,745	P -	P 109,650,370

Gross Insurance Contract Liabilities in 2019

Accident Year		End of Accident year		One year later		Two years later		Three years later		Four years later		Five years later		Six years later		Seven years later		Eight years later		Total
Estimate of ultimate claim cost																				
2011 and prior	P	110,222,288	P	95,587,960	P	90,833,606	P	90,898,671	P	90,898,671	P	90,898,671	P	90,898,671	P	90,898,671	P	90,898,671	P	90,898,671
2012		127,542,768		106,153,799		107,018,999		107,315,427		107,315,427		107,315,427		106,578,009		106,578,009		-		106,578,009
2013		152,480,182		135,851,381		179,172,440		179,331,850		179,317,440		184,046,700		184,046,700		-		-		184,046,700
2014		176,399,900		204,279,726		205,531,076		206,046,973		205,338,863		204,963,971		-		-		-		204,963,971
2015		181,770,023		234,200,295		236,274,225		239,389,621		239,389,621		-		-		-		-		239,389,621
2016		185,762,327		249,892,040		249,377,971		256,589,731		-		-		-		-		-		256,589,731
2017		242,372,692		303,755,552		293,131,147		-		-		-		-		-		-		293,131,147
2018		303,224,746		395,083,778		-		-		-		-		-		-		-		395,083,778
2019		243,876,338		-		-		-		-		-		-		-		-		243,876,338
Total		243,876,338		395,083,778		293,131,147		256,589,731		239,389,621		204,963,971		184,046,700		106,578,009		90,898,671		2,014,557,966
Provision for IBNR & Mfad		25,661,143		36,803,326																62,464,469
Cumulative payments to date		(182,967,807)		(393,571,709)		(291,931,147)		(254,238,191)		(238,940,461)		(205,338,863)		(185,557,431)		(106,336,408)		(90,898,671)		(1,949,780,688)
Liability recognized in the statements of financial position	P	86,569,674	P	38,315,395	P	1,200,000	P	2,351,540	P	449,160	P	(374,892)	P	(1,510,731)	P	241,601	P	-	P	127,241,747

Net Insurance Contract Liabilities in 2019

Accident Year		End of Accident year		One year later		Two years later		Three years later		Four years later		Five years later		Six years later		Seven years later		Eight years later		Total
Estimate of ultimate claim cost																				
2011 and prior	P	67,389,108	P	73,887,366	P	79,541,688	P	79,606,753	P	79,606,753	P	79,606,252	P	79,606,252	P	79,606,252	P	79,606,252	P	79,606,252
2012		74,110,073		74,414,241		75,115,104		75,417,897		75,357,802		75,357,802		76,945,890		76,945,890		-		76,945,890
2013		102,171,729		103,310,245		107,033,056		114,392,466		120,551,224		123,536,814		123,536,814		-		-		123,536,814
2014		126,400,288		149,170,708		149,940,450		150,234,873		149,468,598		149,468,598		-		-		-		149,468,598
2015		118,773,611		145,474,374		145,180,550		154,845,562		154,845,562		-		-		-		-		154,845,562
2016		118,968,833		179,348,781		184,762,789		188,391,163		-		-		-		-		-		188,391,163
2017		172,020,238		235,059,103		239,289,568		-		-		-		-		-		-		239,289,568
2018		176,040,660		256,919,015		-		-		-		-		-		-		-		256,919,015
2019		197,226,194		-		-		-		-		-		-		-		-		197,226,194
Total		197,226,194		256,919,015		239,289,568		188,391,163		154,845,562		149,468,598		123,536,814		76,945,890		79,606,252		1,466,229,056
Provision for IBNR & Mfad		27,990,663		17,815,254																45,805,917
Cumulative payments to date		(176,206,346)		(256,709,535)		(238,283,793)		(187,300,778)		(154,740,803)		(150,480,877)		(120,536,810)		(75,347,057)		(79,606,252)		(1,439,212,251)
Liability recognized in the statements of financial position	P	49,010,511	P	18,024,734	P	1,005,775	P	1,090,385	P	104,759	P	(1,012,279)	P	3,000,004	P	1,598,833	P	-	P	72,822,722

24. Premiums

Analysis of premiums is as follows:

2020		Direct and Assumed		Ceded Business		Net Premiums Retained
Premiums Written	P	**931,152,807**	P	**151,639,263**	P	**779,513,544**
Changes in Unexpired Risk		**(41,771,797)**		**(13,162,575)**		**(28,609,222)**
Net	P	**889,381,010**	P	**138,476,688**	P	**750,904,322**

2019		Direct and Assumed		Ceded Business		Net Premiums Retained
Premiums Written	P	959,235,006	P	119,984,888	P	839,250,118
Changes in Unexpired Risk		(72,974,858)		(3,565,951)		(69,408,907)
Net	P	886,260,148	P	116,418,937	P	769,841,211

25. Interest and Other Investment Income, Net

Interest and other investment income consist of:

		2020		2019
Interest Income				
HTM Financial Assets	P	**9,173,760**	P	8,373,331
Cash and Cash Equivalents (see Note 8)		**385,684**		52,702
Short-term Investments (see Note 9)		**360,923**		469,330
Others		**546,294**		-
Dividend Income (see Note 10)		**168,660**		181,752
Gain (Loss) on Sale of Equity Securities		**1,271**		(259,350)
Unrealized Loss on Foreign Exchange		**(131,034)**		-
Miscellaneous		**-**		613,738
	P	**10,505,558**	P	9,431,503

26. Claims, Losses and Adjustment Expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

	For the year ended December 31, 2020					
		Direct and Assumed		Recoveries		Net
Claims and Losses	P	**323,329,038**	P	**19,648,811**	P	**303,680,227**
Loss Adjustment Expenses		**2,049,764**		**-**		**2,049,764**
	P	**325,378,802**	P	**19,648,811**	P	**305,729,991**

	For the year ended December 31, 2019					
		Direct and Assumed		Recoveries		Net
Claims and Losses	P	385,857,993	P	104,329,550	P	281,528,443
Loss Adjustment Expenses		2,357,449		-		2,357,449
	P	388,215,442	P	104,329,550	P	283,885,892

27. Commission Expense and Commission Income

The composition of this account is as follows:

	2020		2019	
	Commission Expense	Commission Income	Commission Expense	Commission Income
Direct Business	P 166,097,828	P -	P 116,425,871	P -
Reinsurance Business	4,580,036	26,902,259	6,512,302	28,839,247
Total	170,677,864	26,902,259	122,938,173	28,839,247
Increase/(Decrease) in DAC/DCI *(see Note 15)*	15,496,697	(579,674)	21,149,463	(279,894)
	P 186,174,561	P 26,322,585	P 144,087,636	P 28,559,353

Standard commission rate for direct and reinsurance business ranges from 5% to 37.5%.

28. General and Administrative Expenses

General and administrative expenses consist of:

	2020	2019
Salaries and Allowances	P 66,400,128	P 57,426,397
Transportation and Travel	21,115,368	23,462,137
Rent	10,139,976	15,411,351
Depreciation and Amortization	9,592,739	10,166,046
Printing and Office Supplies	8,871,353	5,055,419
Communication and Postage	8,333,909	6,356,178
Repairs and Maintenance	7,942,801	15,545,928
Audit and Legal Fees	7,705,728	8,434,130
Advertising and Promotions	7,047,939	8,723,960
Representation and Entertainment	6,200,933	5,380,256
Retirement	3,682,993	1,403,834
Emloyee Welfare and Other Benefits	4,931,753	7,479,777
Training and Development	4,389,692	2,117,448
Insurance	3,776,860	3,972,358
Taxes and Licenses	3,204,646	4,145,115
Impairment Loss	3,033,847	-
Light and Water	2,175,128	2,550,488
Association and Pool Dues	1,858,049	1,041,442
Bank Charges	846,174	625,960
Interest	240,112	47,242
Miscellaneous	9,237,791	8,998,306
	P 190,727,919	P 188,343,772

Miscellaneous expenses consist mainly of assessment fees paid to Insurance Commission, funeral contributions for its employees, and expenses incurred by its skeletal force workers.

29. Retirement Benefit Cost

On May 1, 1999, the Company established the Western Guaranty Corporation Retirement Plan (the Plan), a non-contributory and defined benefit type retirement plan. Membership in the Plan is automatic for all officers and employees of the Company who are considered having regular employment status. Normal retirement is upon attainment of 60 years old with at least five years of credited service. Late retirement may allowed up to the age of 70 years old. Early retirement may be allowed subject to the consent of the Company, provided a member has completed at least 5 years of credited service.

Retirement benefit is equivalent to 22.5 days pay for every year of credited service. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the plan. Contribution to the plan and earnings thereof are managed by a trustee. The Plan has no specific matching strategy between the Plan asset and the Plan liabilities. The Company is not required to pre-fund the defined benefit obligation payable under the plan before they become due. The amount and timing of contribution to the plan asset are at the Company's discretion. However, in the event a benefit claim arises and the plan asset is insufficient to pay the claim, the shortfall will then be due and payable to the plan asset.

Annual normal cost amounted to P3,682,993 and P1,403,804 in 2020 and 2019, respectively. As of December 31, 2020 and 2019, the plan asset amounted to P22,245,601 and P31,465,050 which is equivalent to the retirement benefit obligation at year end. Normal cost is computed using the Projected Unit Credit Method. Under this method, annual normal cost is the present value of retirement benefits payable in the future in respect of services in the current period.

The composition of plan asset is as follows:

		2020		2019
Cash and cash equivalents	P	**1,953,013**	P	542,867
Government securities		**20,121,221**		30,700,312
Accrued interest		**200,506**		263,194
Accrued expenses		**(29,139)**		(41,323)
	P	**22,245,601**	P	31,465,050

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company contributes to the fund based on a funding valuation as recommended by an actuary.

The changes in plan assets are as follows:

		2020		2019
Balance at the beginning of the year	P	**31,465,050**	P	40,394,440
Contributions during the year		**2,807,667**		1,559,815
Retirement benefits paid		**(13,448,276)**		(13,027,934)
Income earned		**1,421,160**		2,538,729
	P	**22,245,601**	P	31,465,050

The changes in present value of defined benefit obligation are as follows:

		2020		2019
Balance at the beginning of the year	P	**31,465,050**	P	40,394,440
Current service cost		**3,682,993**		1,403,834
Retirement benefits paid		**(13,448,276)**		(13,027,934)
Interest expense		**545,834**		2,694,710
	P	**22,245,601**	P	31,465,050

Actuarial assumptions used to determine retirement benefits are as follows:

	2020	2019
Rate of investment	**5%**	5%
Salary projection rate	**5%**	5%
Number of lives covered	**59**	62
Funding method	Project unit credit	
Mortality rate	The 2001 CSO Generational (Scale AA, Society of Actuaries)	
Disability rate	The Disability Study, Period 2, Benefit 5 (Society of Actuaries)	

30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2020 and 2019 are as follows:

		2020		2019
Current	P	**18,726,519**	P	47,341,122
Deferred		**(1,233,249)**		(11,517)
	P	**17,493,270**	P	47,329,605

The reconciliation of the provision for income tax to the taxable income computed at the applicable statutory tax rates is as follows:

		2020		2019
Statutory income tax	P	**20,481,704**	P	64,014,935
Adjustments for:				
Non-taxable income and income subject to final tax		**(2,988,434)**		(16,685,330)
Actual provision for income tax	P	**17,493,270**	P	47,329,605

Significant components of the Company's deferred tax assets recognized in the financial statements is as follows:

		2020		2019
Deferred Tax Assets				
Allowance for impairment				
Reinsurance assets	P	**526,928**	P	-
Premium receivables		**383,226**		-
Effect of PFRS 16		**295,302**		11,517
Unrealized loss on foreign exchange		**39,310**		-
		1,244,766		11,517
Deferred Tax Liabilities				
Revaluation reserve on property and equipment		**10,035,722**		10,035,722
Net Deferred Tax Liabilities	P	**8,790,956**	P	10,024,205

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On February 1, 2021, the Bicameral Conference Committee, approved the House Bill No. 4157 and Senate Bill No.1357 (the CREATE) which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE pursues to dynamically fight the effects of COVID-19 and help businesses to recover as quickly as possible.

Among the reforms provided under the CREATE Act are the following:

i. Reduction in current income tax rate effective July 1, 2020 as follows:

   - Those with assets amounting to P100 million and below, and with taxable income equivalent to P5 million and below will be subjected to a 20% tax rate.

   - Those with assets above P100 million or those with taxable income amounting to more than P5 million will be subjected to a 25% tax rate.

ii. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%)
In accordance with PAS 12- Income taxes, if a bill is passed into law after the reporting date but before the issuance of the audited financial statements, it is treated as a non-adjusting event, hence the Company still applied the 30% statutory tax rate in the calculation of income taxes.

With the issuance of RR No. 5-2021 "Implementing Rules and Regulations of Republic Act No. 11534 or CREATE Act", with retroactive effect on income tax due for the taxable year 2020, the Company will be filing its Income Tax using the applicable Transitory Rate of 27.5%. The impact of CREATE Act to account balances as at and for the year ended December 31, 2020 is as follows:

		Before CREATE		CREATE		Increase (Decrease)
Deferred Tax Assets	P	1,244,766	P	1,141,995	P	(102,771)
Income Tax Payable		7,706,535		6,145,992		(1,560,543)
Income Tax Expense						
Current		18,726,519		17,165,976		(1,560,543)
Deferred		(1,233,249)		(1,130,479)		102,771

31. Restatements

The financial statements provide comparative information with respect to the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2019 is presented in these financial statements due to retrospective adjustments as disclosed below.

Statements of Financial Position

	December 31, 2019			January 1, 2019		
	Balance as previously reported	Reclassification	Balance as adjusted	Balance as previously reported	Reclassification	Balance as adjusted
ASSETS						
Cash and cash equivalents	P 170,304,389	P (25,923,182)	P 144,381,207	P 173,727,953	P (24,133,871)	P 149,594,082
Short-term investments	-	25,923,182	25,923,182	-	24,133,871	24,133,871
Financial Assets						
Available-for-Sale (AFS)	-	25,407,468	25,407,468	-	35,513,118	35,513,118
Held-to-Maturity (HTM)	463,466,708	(233,662,190)	229,804,518	414,827,926	(188,376,920)	226,451,006
Loans and Receivables	-	2,400,000	2,400,000	-	2,400,000	2,400,000
Insurance balances receivable	749,217,395	(27,031,724)	722,185,671	558,529,611	(136,815,023)	421,714,588
Reinsurance assets	-	136,355,355	136,355,355	-	241,057,159	241,057,159
Deferred acqusition costs	-	93,635,248	93,635,248	-	72,485,785	72,485,785
Accrued investment income	-	1,295,060	1,295,060	-	1,382,642	1,382,642
Investment property	-	223,168,389	223,168,389	-	173,868,389	173,868,389
Deferred tax asset	2,383,910	(2,372,393)	11,517	1,270,755	(1,270,755)	-
Property and equipment	126,958,857	(20,541,312)	106,417,545	130,062,041	(21,070,495)	108,991,546
Other assets	154,062,411	(138,119,486)	15,942,925	127,067,664	(116,848,384)	10,219,280
LIABILITIES AND EQUITY						
Reserve for Unearned Premiums	348,680,331	-	348,680,331	275,705,474	-	275,705,474
Insurance Claims Payable	110,583,195	16,658,552	127,241,747	150,569,789	19,001,072	169,570,861
Accounts Payable						
and Accrued Expenses	138,548,886	3,636,625	142,185,511	108,216,636	-	108,216,636
Reinsurance Liabilities	-	35,530,635	35,530,635	15,895,814	31,672,570	47,568,384
Deferred Commission Income	-	12,642,734	12,642,734	-	12,922,628	12,922,628
Deferred tax liabilities	-	10,035,722	10,035,722	-	10,035,722	10,035,722
Lease liability	-	567,571	567,571	-	-	-
Share Capital	400,000,000	-	400,000,000	350,000,000		350,000,000
Contributed Surplus	350,000	-	350,000	-	350,000	350,000
Revaluation Reserve on:						
Property and equipment - Net	207,252,930	(183,836,246)	23,416,684	160,102,930	(136,686,246)	23,416,684
AFS Financial Assets	(5,562,456)	(8,474,830)	(14,037,286)	(2,965,094)	(1,270,755)	(4,235,849)
Retained Earnings - December 31	466,890,784	173,423,652	640,314,436	347,610,402	126,650,524	474,260,926

	Statement of Comprehensive Income		
	December 31, 2019		
	Balance as previously reported	Reclassification	Balance as adjusted
Revenues	P 769,841,211	P -	P 769,841,211
Commission income	28,559,353	-	28,559,353
Investment income	9,431,503	-	9,431,503
Unrealized fair value gain on investment properties	-	46,800,000	46,800,000
Claims, losses and commission	(452,905,180)	-	(452,905,180)
General and administrative expenses	(188,305,383)	(38,389)	(188,343,772)
Income tax expense	(47,341,122)	11,517	(47,329,605)
Net income	P 119,280,382	P 46,773,128	P 166,053,510

In 2019, the financial statements were restated from the amounts previously reported to reflect the following adjustments:

i. Reclassification of Cash Equivalents to Short-term Investments due to maturities exceeding 3 months;
ii. Reclassification of Insurance Balance Receivables to Other Assets and Reinsurance Assets to reflect the nature of transaction;
iii. Reclassification of Held-to-Maturity Investments to Available-for-Sale and Investment Property to reflect the nature of the accounts;
iv. Reclassification of Other Assets to Deferred Acquisition Cost and Reinsurance Assets to reflect the nature of the accounts;
v. Reclassification of Deferred Tax Asset to Revaluation Reserve on AFS to derecognize the tax effect of the decrease in fair value of investment in available-for-sale;
vi. Recognition of Right-of-Use-Asset, Deferred Tax Assets, Liabilities and Expenses under PFRS 16;
vii. Reclassification of Reinsurance Assets to Insurance Claims Payable to reflect the nature of the account;
viii. Reclassification of recognized Revaluation Reserve arising from increase in fair value of Investment Property to Retained Earnings;
ix. Reversal of claimed Creditable Withholding Tax to correct the amount of Income Tax Payable;
x. Reclassification of Revaluation Reserve on Investment Property to Investment Income.

32. Other Significant Matters

1. Applying PFRS 9 *Financial Instruments* with PFRS 4 *Insurance Contracts* (Amendments to IFRS

Qualifying for temporary exemption from PFRS 9
The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
  - Greater than 90 percent; or
  - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting December 31, 2018. Applying the requirements, the Company performed the predominance assessment using the Company's statement of financial position as of December 31, 2018

The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2018, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 81% of the total carrying amount of all its liabilities, and the Company did not engage into any significant activities not connected with insurance. Since December 31, 2018, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

Fair value disclosures

The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2020, as well as the corresponding change in fair value for the year ended December 31, 2020. In the table, the amortized costs of cash and cash equivalents and short-term receivables have been used as reasonable approximations of fair value. The financial assets are divided into two categories:

- Assets on which contractual cash flows represent Solely Payments of Principal and Interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents*	P 111,824,675	P -	P -	P -
Short-term investments	24,895,363	-	-	-
Financial assets at amortized cost:				
HTM	300,789,135	-	-	-
AFS	-	-	25,522,564	-
Loans and receivables	2,400,000	-	-	-
	P 439,909,173	P -	P 25,522,564	P -

**excluding cash on hand P2,810,000*

Credit Risk Disclosures

The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown below is before any allowance for impairment losses.

Given the Company's discussion on managing credit risks as disclosed under Note 7, provided below is the Company's assessment of its SPPI assets:

	Total	High	Low
Cash and cash equivalents*	P 111,824,675	P -	P 111,824,675
Short-term investments	24,895,363	-	24,895,363
HTM:			
Government securities	285,789,135	-	285,789,135
Corporate bonds	15,000,000	-	15,000,000
Loans and receivables	2,400,000	-	2,400,000
	P 439,909,173	P -	P 439,909,173

**excluding cash on hand P2,810,000*

The following table provides information on the fair value and carrying amount under PAS 39 for those SPPI assets that have low credit risk as determined by the Company. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	Fair value	Carrying amount
Cash and cash equivalents*	P 111,824,675	P 111,824,675
Short-term investments	24,895,363	24,895,363
HTM:		
Government securities	296,051,295	285,789,135
Corporate bonds	15,553,558	15,000,000
Loans and receivables	2,400,000	2,400,000
	P 450,724,891	P 439,909,173

**excluding cash on hand P2,810,000*

2. Contingencies

   In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole

3. Lease Agreements

   The Company is a lessee to the following lease agreements:

   (i) Contract of lease for its head office located at Quintin Paredes St., in Binondo, Manila;
   (ii) Contract of lease for its Branch Office located at Cebu City;
   (iii) Contract of lease for its Branch Office located at Santiago City, Isabela;
   (iv) Contract of lease for its Branch Office located at Santa Rosa City, Laguna;
   (v) Contract of lease for its Branch Office located at Dagupan City, Pangasinan;
   (vi) Contract of lease for its Branch Office located at Gen. Hughes Street, Iloilo City;
   (vii) Contract of lease for its Branch Office located at Cagayan de Oro
   (viii) Contract of lease for its Branch Office located at Bajada, Davao City

   The lease terms are for the period of 1 to 4 years. Significant terms and conditions of the lease contracts include (i) payment of monthly rent (ii) Payment of security deposit (iii) Annual escalation clause of rental rates (iv) Fit-out period and (v) restriction of use, among others.

Lease liability
Set out below are the carrying amounts of lease liabilities and the movements during the period:

		2020		2019
Balance at beginning of year	P	**567,571**	P	-
Lease inceptions		**4,639,256**		976,952
Interest expense on lease liabilities		**240,112**		47,242
Cash flows:				
Principal		**(584,060)**		(409,381)
Interest		**(149,218)**		(47,242)
Balance at end of year		**4,713,661**		567,571
Current portion		**2,205,182**		522,154
Non-current portion	P	**2,508,479**	P	45,417

Right-of-use asset
The movement of right-of-use asset is as follows:

		2020		2019
Cost				
Balance at beginning of year	P	**976,952**	P	-
Additions during the year		**4,639,255**		976,952
Balance at end of year		**5,616,207**		976,952
Accumulated depreciation				
Balance at beginning of year		**447,770**		-
Provisions		**1,439,116**		447,770
Balance at end of year		**1,886,886**		447,770
	P	**3,729,321**	P	529,182

Amounts recognized in statement of comprehensive income
Set out below, are the amounts recognized in the statement of comprehensive income:

		2020		2019
Rent expense relating to short-term leases	P	**10,139,976**	P	15,411,351
Depreciation expense of right-of-use asset		**1,439,116**		447,770
Interest expense on lease liability		**240,112**		47,242

The maturity analysis of undiscounted lease payments including short-term leases is as follows:

		2020		2019
1 year	P	**2,953,182**	P	8,353,079
more than 1 year to 2 years		**1,602,765**		45,417
more than 2 years to 3 years		**905,714**		-
	P	**5,461,661**	P	8,398,496

4. *Current Assets and Liabilities Distinction*

The Company's current assets and current liabilities are presented below:
The Company classifies all other liabilities as non-current.

		2020		2019
Current Assets				
Cash and Cash Equivalents	P	114,634,675	P	144,381,207
Short-term Investments		24,895,363		25,923,182
Insurance and Reinsurance Assets		1,090,641,855		858,541,026
Financial Assets - HTM		98,587,420		107,500,000
Loans and Receivables		2,400,000		2,400,000
Deferred Acquisition Cost		109,131,945		93,635,248
Accrued Investment Income		1,834,512		1,295,060
Other Assets		4,679,736		5,866,050
	P	1,446,805,506	P	1,239,541,773
Current Liabilities				
Reserve for Unearned Premiums	P	390,452,128	P	348,680,331
Insurance Claims Payable		321,200,009		127,241,747
Accounts Payable and Accrued Expenses		128,398,464		142,185,511
Reinsurance Liabilities		62,073,641		35,530,635
Deferred Commission Income		12,063,060		12,642,734
Lease Liability		2,205,182		522,154
	P	916,392,484	P	666,803,112

An asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

5. *Effects of COVID-19 Pandemic*

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the increasing number of COVID-19 cases worldwide. This was followed by the issuance of Presidential Proclamation Order No. 929 declaring a State of Calamity in the Country from the COVID-19 outbreak.

Different quarantine classifications were imposed nationwide which resulted to disruptions in business and economic activities and their impact on business continue to evolve. Internally, the Company continues to adapt to these including implementation of the following:

- Work-from-home arrangement for certain office personnel;
- Online meetings and discussions with officers and employees;
- Use of mobile banking and online platforms for certain financial transactions;

Considering the evolving nature of this outbreak, the Company continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

33. Supplementary Information Required under Revenue Regulations 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2020 is presented in compliance thereto.

- The output tax on premiums declared in the Company's 2020 VAT returns amounted to P53,915,296 based on gross receipts of P449,294,135.

  The Company pays VAT output tax based on amount collected. Furthermore, premiums from reinsurance business are exempt from VAT in accordance with RR 4-2007.

- The VAT input tax claimed is broken down as follows:

Balance at the beginnning of the year	P	-
Current year' domestic purchases/payments for:		
Goods		-
Services		27,969,188
Applied against output tax		(27,969,188)
	P	-

- The premium tax on personal accident insurance paid and accrued amounted to P1,846,800.

- The documentary stamp tax paid/accrued for insurance policies amounted to P36,588,866.

- The amounts of withholding tax payments, by category are as follows:

Expanded withholding tax	P	16,630,944
Tax on compensation and benefits		6,403,680
Final tax		159,958

- The details of taxes and licenses presented under administrative expenses in the Company's statement of comprehensive income are as follows:

Local business taxes	P	944,616
Real estate tax		690,219
Other fees and licenses		1,569,811
	P	3,204,646

R. R. TAN & ASSOCIATES, CPAs

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PRC-BOA Reg. No. 0132, valid until December 31, 2021
SEC Accreditation No.0394-F, valid until July 23, 2023
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022
IC Accreditation No. 0132-IC, valid until November 14, 2024

Independent Auditors' Report on Other Regulatory Requirements

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th Floor, ETY Building, 484 Quintin Paredes St.
Binondo, Manila

We have audited the accompanying financial statements of **WESTERN GUARANTY CORPORATION** as at and for the year ended December 31, 2020, on which we have rendered the attached report dated July 1, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The information contained in "Schedule of Retained Earnings Available for Dividend Declaration" is the responsibility of the Company's management. This schedule is presented for purposes of additional analysis and not a required part of the basic financial statements but supplementary information required by the Revised Securities Regulation Code Rule 68. Such information has been subjected to the auditing procedures applied in our audit and in our opinion, is fairly stated in all, material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By: **CHESTER NIMITZ F. SALVADOR**
Partner
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PTR No. 6514908, February 2, 2021, Pasig City
SEC Accreditation No. 1812-A, valid until July 23, 2023
BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022
IC Accreditation No. 129556-IC, valid until March 1, 2025

July 1, 2021
Pasig City

WESTERN GUARANTY CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated Retained Earnings, beginning			P	602,688,740
Prior period adjustments				-
Unappropriated Retained Earnings, as adjusted, beginning				602,688,740
Add: Net income actually earned/realized during the period				
Net income during the period closed to retained earnings		50,779,075		
Less:	Non-actual/unrealized income net of tax	-		
	Equity in net income of associate/joint venture	-		
	Unrealized foreign exchage gain - net (except those attributable to cash and cash equivalents)	-		
	Unrealized actuarial gain	-		
	Fair value adjustment (mark-to-market gains)	-		
	Fair value adjustment of investment property resulting to gain	-		
	Recognized deferred tax asset that decreased the net income	1,233,249		
	Adjustment due to deviation from PFRS/GAAP - gain	-		
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-		
Subtotal		1,233,249		
Add:	Non-actual losses			
	Fair value adjustment (mark-to-market losses)	-		
	Adjustment due to deviation from PFRS/GAAP - loss	-		
	Change in deferred tax liabilities that decreased net income	-		
Subtotal		-		
Net income actually earned during the period				49,545,826
Add(less):				
	Dividend declarations during the period	-		
	Appropriations of retained earnings during the year	-		
	Reversals of appropriations	-		
	Treasury shares	-		
Subtotal				-
Unappropriated Retained Earnings, as adjusted, ending			P	652,234,566