MANILA BANKERS LIFE INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – CORPORATE INFORMATION

Manila Bankers Life Insurance Corporation (MB Life) is a company formed and organized primarily to conduct and transact life, accident and health insurance business. The Company is also engaged in the reinsurance on any risk and to undertake all kinds of reinsurance, to the extent allowed by law. The Company is registered with the Securities and Exchange Commission on May 15, 1967 under registration number 15238.

The principal office of MB Life is located at VGP Center, 6772 Ayala Avenue, Makati City.

In 2005, MB Life entered into an Assumption Reinsurance Agreement with Paramount Life and General Insurance Company (Paramount), which was duly approved by the Insurance Commission. Paramount agreed to assume from MB Life the Individual Life Insurance business portfolio through its regular, salary deduction and direct marketing lines under its terms and conditions.

In March 25, 2008, the Securities and Exchange Commission approved the extension of corporate term for another fifty (50) years from and after the date of its expiration which is on April 13, 2009.

The financial statements of MB Life for the year ended December 31, 2017 were duly authorized for issue by the Board of Directors on April 16,2018.

NOTE 2 – 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.

2.1 Basis of presentation

The financial statements have been prepared on the historical cost basis unless otherwise stated. These financial statements are prepared in Philippine pesos, the company's functional currency, and all values represent absolute amounts except when otherwise indicated.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and generally accepted insurance accounting principles and reporting practices in the Philippines, which are designed primarily to show the Company's ability to meet its obligations to policyholders. In certain respects, these principles and practices differ from generally accepted accounting principles followed by other business enterprises in determining financial position and operating results. Significant practices and policies are as follows:

a. Policy acquisition cost are charged to current operations as incurred, rather than being amortized over the premium paying period of the policies;

b. Premiums adjusted by actuarially computed net outstanding and deferred premiums, are recognized upon collection and application of automatic premium loan rather than being amortized over the term of the policies; and

c. Investments in bonds and government securities are carried at amortized cost using effective interest method.

2.3 Presentation and functional currency

Items included in the financial statements of the Company are measured using Philippine Peso, the currency of the primary economic environment in which the company operates (the "functional currency"). All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

2.4 Use of judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the company's financial statements and accompanying notes.

The estimates and assumptions are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

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.

2.5 Current versus noncurrent classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as current assets and liabilities.

2.6 Admitted and non-admitted classification

The Company determines the admissibility of its assets based on the provisions of the Insurance Code. Admitted assets only includes those that are legally or beneficially owned by the Company as determined under Sections 202, 204 and 205 of the Insurance Code. All other assets which did not fall under the classifications of these sections are considered as non-admitted assets.

Presented in the subsequent notes are the estimated amounts of these assets. Final amounts can only be determined upon review and assessment of the Insurance Commission.

2.7 Changes in accounting policies and disclosures

The following new and amended standards and interpretations did not have any significant impact on the financial position or performance of the Company

- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*

  The amendment requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):
  (i) changes from financing cash flows;
  (ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
  (iii) the effect of changes in foreign exchange rates;
  (iv) changes in fair values; and
  (v) other changes.

  The Standard defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify the following aspects:

  - Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

  The amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Future Changes in Accounting Policies

The Company will adopt the following revised standards, interpretation and amendments when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective 2018

- *PFRS* 9, Financial Instruments (2014)- reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company is currently assessing the impact of adopting PFRS 9.

- *PFRS* 15, Revenue from Contracts with Customers - establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The amendments have no impact on the Company's financial position or performance.

- *PFRS* 2 (Amendments), Classification and Measurement of Share-based Payment Transactions- Amendments to clarify the classification and measurement of share-based payment transactions. The Standard has introduced the following clarifications:

  On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

  Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

  The amendments have no impact on the Company's financial position or performance.

- *PFRS* 4 (Amendments), Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts' - The amendments in *Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts' (Amendments to PFRS 4)* provide two options for entities that issue insurance contracts within the scope of PFRS 4:
  - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
  - an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

  The amendments have no impact on the Company's financial position or performance.

- *PAS* 40 (Amendments), Transfers of Investment Property - Paragraph 57 of PAS 40 *Investment Property*, which provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.

  Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

  The Company is currently assessing the impact of adopting PFRS 9.

- *Annual* Improvements to PFRS (2014–2016 Cycle)

  Amendments to the following standards:

  - PFRS 1 – *Short Term Exemptions* Deletes the short-term exemptions, because they have now served their intended purpose

  - PFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

- PAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

Effective 2019

- PFRS 16, Leases

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)

  - PFRS 11 Joint Arrangements - The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  - PFRS 9 Financial Instruments, Amendments regarding prepayment features with negative compensation and modifications of financial liabilities - Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of early repayment gain.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - The amendments in Effective Date of Amendments to PFRS 10 and PAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements to facilitate the understanding are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

2.8 Financial assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument; include cash and other financial instruments.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income.

For the year ended December 31, 2017 and 2016, the Company has no financial assets/liability at fair value through profit or loss (FVPL). The financial assets are classified into the following categories.

a) 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. They are included in current assets, except for maturities greater than 12 months after the financial reporting date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Company's loans and receivables are presented as Insurance Contract Receivables, Loans and Other Receivables, and Accrued Interest in the statement of financial position.

b) Held-to-maturity investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are included in non-current assets under Financial Assets account in the statements of financial position, except those maturing within 12 months of the financial reporting date. Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit and loss.

c) Available-for-sale financial assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the statements of financial position unless management intends to dispose of the investment within 12 months from the financial reporting date.

All available-for-sale financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effect arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from, available for sale financial assets reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the financial reporting date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.9 Cash and cash equivalents

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

2.10 Insurance contract receivables

Insurance contract receivables include premiums due and uncollected and due from ceding companies.

- *Premium due and uncollected*: are net premium due and uncollected premiums on life insurance policies that are computed by an independent actuary.

- *Due from ceding companies*: are reinsurance premium due from ceding companies as a result of treaty or facultative reinsurances accepted that are computed by an independent actuary.

Receivables, such as advances to officers and employees, are stated at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

2.11 Loans and other receivables

Loans and other receivables consist of various receivables from the Company's employees, related parties, and third parties and are presented in detail in Note 9. These were initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

2.12 Accrued interest

These are interest income determined using the effective interest method earned by the Company from their loans and investments during the year but were not received as of the financial reporting date.

2.13 Prepayments and other current assets

Prepayments are advance payments of expenditures made by the Company that are amortized for not more than twelve (12) months.

Other current assets are initially measured at fair value and subsequently measured at amortized cost less any impairment, if any.

2.14 Assets held for sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

2.15 Investment property

Investment property is measured initially at acquisition cost. Subsequently, investment property is stated at fair value, including transaction costs as determined by independent appraisers. The carrying amounts recognized in the statements of financial position reflect the prevailing market conditions at the financial reporting date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statements of comprehensive income as Appraisal Increment under Other Comprehensive Income account.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statements of comprehensive income in the year of retirement or disposal.

2.16 Property and equipment, net

Property and equipment are stated at cost, less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss 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. Cost also includes any asset retirement obligation and interest on borrowed funds used.

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.

2.17 *Impairment of non-financial assets*

The Company's investments in subsidiaries and associates, intangible assets, property and equipment and investment property are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

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

As of December 31, 2017 and 2016 the Company did not perform impairment testing of its assets except for the building and assets held for sale which was appraised by independent appraiser duly approved by the Insurance Commission on December 27, 2016. The revaluation surplus was recognized as asset revaluation reserve under the equity section.

2.18 *Financial liabilities*

Financial liabilities include interest-bearing loans and borrowing, insurance contract liabilities, premium deposit fund, insurance payables, payables and accrued expenses and income tax payable and other non-current liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in the statements of comprehensive income under the caption Finance Costs in the statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.19 *Policy and contract claims payable*

These are obligation arising from life insurance policies that are due and unpaid claims that are already approved for payment, claims waiting for approval or contested claims.

2.20 *Premium deposit fund*

This represent amounts received from policy holders as advance premium payments which will be applied at the end of the policy. These deposits are measured at their nominal values.

2.21 *Payable and accrued expenses*

Payable and accrued expenses are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

2.22 Legal policy reserves

These: are liabilities for future policy benefits have been actuarially computed based on insurance in force and estimated investments yield, mortality and withdrawals.

2.23 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. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the financial reporting date, 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 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.

2.24 Equity

Share capital is determined using the nominal value of shares that have been issued. Subscription receivables are deducted and presented net of capital stock.

Surplus pertains to contribution by shareholders in proportion to the subscription interest to the Company to cover any deficiency in the Margin of Solvency.

Available for sale financial assets reserve pertains to unrealized gain or loss due to fair valuation of the Company's available for sale financial assets.

Asset revaluation reserve pertains to unrealized gain or loss due to measuring the Company's property and equipment at its fair value.

Legal policy revaluation reserve pertains to the unrealized gain or loss due to change in the measurement method of the legal policy reserve.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

2.25 Revenue and expense recognition

Premiums are considerations given by the insured in exchange of the promises of the insurer to pay a stipulated sum in the event of a loss covered under the insurance contract. It also includes premiums earned on insurance pool business.
Revenue from premium is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Company, and the costs incurred or to be incurred can be measured reliably.

- *Group insurance premiums* arising from these contracts are recognized as revenue when received and on the issued date of the insurance policies for the first policy contract year. For the renewal, premiums are recognized as revenue when policies still enforceable and in the process of collections based on the historical persistency rate.

- *Other premium* arising from these contracts are recognized as revenue when received from insurance pool business.

- *Finance income* is recognized as the interest accrues (taking into account the effective yield on the asset).

- *Dividend income* is recognized from when the right to receive the dividend is established.

- *Other income* is recognized when earned.

Benefit expenses and general and administrative expenses are recognized in the statement of comprehensive income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

2.26 Leases

Company as lessee
Leases where the lessor retains substantially all risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.27 Employee benefits

The Company has a non-contributory retirement plan in trust.
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

2.28 Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the financial reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base with the exception of goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the financial reporting date.

Deferred tax assets are recognized only to the extent that the Company considers that it is more likely than not that there will be suitable taxable profits available for the asset to be utilized within the same tax jurisdiction.

Deferred tax assets and liabilities are only offset when they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

Current tax and deferred tax are recognized in the statements of comprehensive income except that when they relate to items that initially bypass the statements of comprehensive income and are taken to equity, in which case they are similarly taken to equity.

2.29 Functional currency and foreign currency transactions

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

Transactions and balances
The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income.

2.30 Related parties

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. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company are also considered to be related parties.

2.31 Events after financial reporting date

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

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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.
In particular, information about significant areas of customary uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows.

Judgments

(a) Going concern

The management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

(c) Determining fair value of financial instruments

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

(d) Financial assets not quoted in an active market

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

(e) Impairment of financial assets

In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. This observable data may include adverse changes in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the portfolio.

Estimates

(a) Impairment of loans and other receivables

The Company reviews its loans and other receivables at each reporting date to assess whether an allowance for impairment should be recognized in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The carrying value of loans and other receivables and related allowance for impairment as of December 31, 2017 and 2016 are disclosed in Note 9.

(b) Impairment of property and equipment

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the greater of fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2017 and 2016 the carrying values of property and equipment are disclosed in Note 17.

(c) Estimated useful lives of physical property and equipment

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

A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

	Useful life in years
Building	10
Furniture and fixtures	10
Office equipment	5
Transportation equipment	5
Other assets	5
Leasehold improvements	1
IT systems software	5

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

(d) Present value of retirement liability

The determination of obligation and cost of retirement benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary increase rates. In accordance with PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect retirement liability.

As of December 31, 2017 and 2016, the assumptions used in determining the present value of the defined benefit obligation and the carrying value of retirement liability are disclosed in Note 24.

(e) Group insurance contracts

Group insurance is an effective and efficient means of protection from the adverse financial impact of unforeseen events, to individuals who share a common bond. It is provided to a group of individuals who are connected to one another through some common characteristic.

The estimation of liability arising from claims on group insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. In particular, the typical group covered for group life insurance consists of the employees of a single employer. Group life insurance is usually sold with various features designed to minimize the effect of selection. These features include eligibility rules, benefit design, and rate structure. Group insurance is generally sold under a plan of insurance which precludes individual selection amounts.

(f) Premium on group insurance contracts

The premium for group life insurance is composed of the expected claim cost, a margin for adverse claim fluctuations, the expenses attributed to the product and the specific group and a risk and a profit charge. The premium is generally guaranteed for only one year and the company is allowed to re-rate a group account in accordance with that group's experience.

NOTE 4 – FAIR VALUE MEASUREMENT

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

a. *Cash and cash equivalents, insurance contract receivables, loans and other receivables, accrued interest receivables, prepayments, insurance contract liabilities, premium deposit fund, insurance payables, payables and accrued expenses*

   The carrying amounts of these accounts approximate their fair values due to their short-term maturities.

b. *Available-for-sale investments*

   The fair values of these investments are based on published price quotations in active markets.

c. *Held to maturity investments*

   The fair values of these bonds are based are measured in amortized cost under the straight-line method.

Fair value hierarchy:

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

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

The financial instrument and other accounts presenting the carrying amounts and fair values are shown below:

Particulars		2017 Carrying Value		2017 Fair value		2016 Carrying Value		2016 Fair value	FV Hierarchy
Assets:									
Cash and cash equivalents	₱	**23,130,340**	₱	**23,130,340**	₱	20,529,182	₱	20,529,182	Level 3
Insurance contract receivables		**6,192,019**		**6,192,019**		13,592,482		13,592,482	Level 3
Loans and other receivables, net		**178,035,236**		**178,035,236**		166,278,587		166,278,587	Level 3
Available for sale financial assets		**21,596,061**		**21,596,061**		21,941,784		21,941,784	Level 1
Held to maturity investments		**79,318,320**		**79,318,320**		79,434,151		79,434,151	Level 1
Accrued interest receivables		**24,822,586**		**24,822,586**		25,749,643		25,749,643	Level 3
Prepayments and other current assets		**15,143,684**		**15,143,684**		14,510,743		14,510,743	Level 3
Investment property		**93,817,818**		**93,817,818**		35,161,000		35,161,000	Level 1
Assets held for sale		**-**		**-**		58,656,818		58,656,818	Level 1
Property and equipment, net		**10,963,428**		**10,963,428**		24,751,368		24,751,368	Level 3
Other non-current assets		**5,812,721**		**5,812,721**		7,068,218		7,068,218	Level 3
Total	₱	**458,832,213**	₱	**458,832,213**	₱	467,673,976	₱	467,673,976	
Liabilities:									
Insurance contract liabilities									
Claims payable	₱	**20,110,358**	₱	**20,110,358**	₱	14,043,118	₱	14,043,118	Level 3
Premium deposit fund		**31,128,433**		**31,128,433**		16,854,483		16,854,483	Level 3
Payables and accrued expenses		**13,264,583**		**13,264,583**		25,102,371		25,102,371	Level 3
Legal policy reserves		**128,599,796**		**128,599,796**		129,734,177		129,734,177	Level 3
Total	₱	**193,103,170**	₱	**193,103,170**	₱	185,734,149	₱	185,734,149	

NOTE 5 –MANAGEMENT INSURANCE RISK AND FINANCIAL RISK

5.1 Insurance risk

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

For group insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its group insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Company operates to achieve a sufficiently large population of risks to reduce the variability of the claims outcome.

Also, the Company limits the amount of coverage that it retains and re-insures life risks in excess of this limit of retention.

Furthermore, the Company has catastrophe accident coverage from a reputable reinsurance company that serves to limit the Company's liability in the event of a covered catastrophe accident.

The Company has a Claims Department that sees to it that only eligible expenses and valid claims are paid. In some cases, the Company may reject payment of claims. The Company also compiles experience data to serve as basis of comparison between pricing mortality and morbidity assumption versus actual experience. Such experience study also serves as basis for re-rating renewing group accounts and rating new business.

5.2 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Long-term financial investments are managed to generate lasting returns.

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

a. Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial positions, as summarized below.

n	December 31, 2017			
	Neither past due nor impaired	Past due but not impaired	Impaired	**Total**
Cash and cash equivalents	₱ 23,130,340	₱ -	₱ -	₱ **23,130,340**
Insurance contracts receivables	6,192,019	-	457,245	**6,649,264**
Financial assets			-	
Available for sale	21,596,061	-	-	**21,596,061**
Held to maturity investments	79,318,320	-	-	**79,318,320**
Loans and receivables	105,116,020	72,519,216	11,720,741	**189,355,977**
Accrued interest	793,975	24,028,611	-	**24,822,586**
Total	₱ 236,146,735	₱ 96,547,827	₱ 12,177,986	₱ **344,872,548**

	December 31, 2016			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱ 20,529,182	₱ -	₱ -	₱ 20,529,182
Insurance contracts receivables	13,135,237	-	457,245	13,592,482
Financial assets				
Available for sale	21,941,784	-	-	21,941,784
Held to maturity investments	79,434,151	-	-	79,434,151
Loans and receivables	36,832,400	129,446,187	10,701,950	166,278,587
Accrued interest	1,023,403	24,726,240	-	25,749,643
Total	₱ 172,896,157	₱ 154,172,427	₱ 11,159,195	₱ 327,525,829

b. Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as cash outflows due in a day-to-day business.

The Company maintains cash to meet its liquidity requirements. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of long-term financial assets.

As at December 31, 2017, the Company's financial liabilities have contractual maturities which are presented below.

	Within Six months	6 to 12 months	Over 1 year	**Total**
Claims payables	₱ 20,110,358	₱ -	₱ -	₱ **20,110,358**
Premium deposit fund	-	-	31,128,433	**31,128,433**
Payable and accrued expenses	4,505,624	264,084	8,494,875	**13,264,583**
Legal policy reserves	-	-	128,599,796	**128,599,796**
Total	₱ 24,615,982	₱ 264,084	₱ 168,223,104	₱ **193,103,170**

As at December 31, 2016, the Company's financial liabilities have contractual maturities which are presented below.

		Within Six months		6 to 12 months		Over 1 year		Total
Insurance contract liabilities	₱	14,043,119	₱	-	₱	129,734,176	₱	143,777,295
Premium deposit fund		-		-		16,854,483		16,854,483
Payable and accrued expenses		2,361,312		14,080,293		8,660,766		25,102,371
Total	₱	16,404,431	₱	14,080,293	₱	155,320,375	₱	185,734,149

c. Market risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes.

Market risk also refers to changes in the value of financial instruments or contracts due to unpredictable fluctuations in prices of traded assets as well as fluctuations in interest rate and exchange rate and other market prices.

The Company allocates exposures to market risk into a trading portfolio, as specified in BSP Circular No.476.

d. Interest rate risk

The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Majority of the Company's loan portfolio have fixed interest rates. As a result, the Company's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

e. Exchange rate fluctuation

While the Company's revenue is currently generated in Philippine peso, a portion of cash received from its policyholders is denominated in United States dollar (USD). These USD denominated cash in bank represents 0.22% and 0.18% of the Company's total cash and cash equivalents as of December 31, 2017 and 2016, respectively. As such, fluctuations in the value of the Philippine peso against the USD are not expected to have material adverse effect on the Company's results of operations.

f. *Equity price risk*

Equity price risk is the risk that the fair value of equity securities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the Board of Directors. Management strategies and plans are discussed in the regular board meetings.

NOTE 6 – CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

Risk based capital formula

This is an important tool in the financial assessment and management of the insurance company. Risk based capital include any formula that calculate a target capital based on factors that reflect the level of financial risk of the insurance company. These factors are set by the Insurance Commission to determine the capital requirements for insurance company and when to take regulatory actions.

NOTE 7 – CASH AND CASH EQUIVALENTS

As of December 31, the account consists of the following:

Particulars	2017	2016	2017 Admitted	2016 Admitted
Petty cash fund	₱ **215,000**	₱ 223,000	₱ **215,000**	₱ 223,000
Cash in banks	**21,861,091**	19,008,323	**21,861,091**	19,008,323
Short-term placement	**1,054,249**	1,297,859	**1,054,249**	1,297,859
Total	₱ **23,130,340**	₱ 20,529,182	₱ **23,130,340**	₱ 20,529,182

Money market placement or short-term placement with commercial banks earns interest ranging from 1% and .75% to 1% per annum for December 31, 2017, and 2016, respectively.

NOTE 8 – INSURANCE CONTRACT RECEIVABLES, NET

As of December 31, the account consists of the following:

Particulars	2017	2016	2017 Admitted	2016 Admitted
Net due and uncollected premiums	₱ **6,192,019**	₱ 13,592,482	₱ **6,192,019**	₱ 13,592,482
Due from ceding companies	**457,245**	457,245	-	-
Total	**6,649,264**	14,049,727	**6,192,019**	13,592,482
Less: Allowance for impairment	**(457,245)**	(457,245)	-	-
Total	₱ **6,192,019**	₱ 13,592,482	₱ **6,192,019**	₱ 13,592,482

Net due and uncollected premiums represent the uncollected premiums on direct business, including those by general agents and insurance brokers, including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up. The balances as of December 31, 2017 and 2016 are actuarially computed by the Company's Actuary.

The movement of allowance for impairment of receivables is presented below.

Particulars	2017	2016
Beginning balance	₱ **457,245**	₱ -
Provision for doubtful accounts for the year	-	457,245
Ending balance	₱ **457,245**	₱ 457,245

NOTE 9 – LOANS AND OTHER RECEIVABLES, NET

As of December 31, 2017, details of receivables are as follows:

Particulars	2017 Current	2017 Non-current	2017 Total	Admitted	Non-Admitted
Real estate mortgage loan	₱ -	₱ 6,272,010	₱ **6,272,010**	₱ **6,272,010**	₱ **-**
Receivables from life insurance pools	-	7,620,741	**7,620,741**	**-**	**7,620,741**
Receivables from related parties (Note 30)	95,399,802	57,532,331	**152,932,133**	**-**	**152,932,133**
Receivables from Paramount	421,578	8,714,438	**9,136,016**	**-**	**9,136,016**
Loans and receivables from employees	7,477,707	2,627,871	**10,105,578**	**-**	**10,105,578**
Chattel mortgage	537,088	-	**537,088**	**-**	**537,088**
Receivables from agents	540,725	704,146	**1,244,871**	**-**	**1,244,871**
Receivables from group policy holders	248,491	655,815	**904,306**	**904,306**	**-**
Policy loan	582,239	-	**582,239**	**582,239**	**-**
Security fund contribution	-	20,995	**20,995**	**20,995**	**-**
Rent receivable	400,000	-	**400,000**		**400,000**
Gross	₱ 105,607,630	₱ 84,148,347	₱ **189,755,977**	₱ **7,779,550**	₱ **181,976,427**
Allowance for doubtful accounts	₱ (91,610)	₱ (11,629,131)	₱ **(11,720,741)**		
Net	₱ 105,516,020	₱ 72,519,216	₱ **177,635,236**		

As of December 31, 2016, details of receivables are as follows:

Particulars	2016 Current	2016 Non-current	2016 Total	Admitted	Non-Admitted
Real estate mortgage loan	₱ -	₱ 65,364,305	₱ 65,364,305	₱ 65,364,305	₱ -
Receivables from life insurance pools	-	7,620,741	7,620,741	-	7,620,741
Receivables from related parties (Note 30)	26,021,830	55,305,294	81,327,124	-	81,327,124
Receivables from Paramount	20,264	8,913,556	8,933,820	-	8,933,820
Loans and receivables from employees	9,719,815	1,049,245	10,769,060	-	10,769,060
Chattel mortgage	741,078	-	741,078	-	741,078
Receivables from agents	658,344	704,144	1,362,488	-	1,362,488
Receivables from group policy holders	109,583	655,017	764,600	764,600	-
Policy loan	82,513	-	82,513	82,513	-
Security fund contribution	-	14,808	14,808	14,808	-
Gross	₱ 37,353,427	₱ 139,627,110	₱ 176,980,537	₱ 66,226,226	₱ 110.754,311
Allowance for doubtful accounts	(521,027)	(10,180,923)	(10,701,950)		
Net	₱ 36,832,400	₱ 129,446,187	₱ 166,278,587		

Real estate mortgage loan

The real estate mortgage loans earn interest ranging from 8% to 14% per annum.

Receivables from life insurance pools

This account pertains to a fund in direct group life insurance pools. A business scheme group life insurance companies who jointly accept and share life insurance business and its related risks solicited from a company which does not engage as principal in insurance business.

As of December 31, 2017, no collection has been made by the Company for the outstanding balance of the account as recoverability is still awaiting decision of the court. Accordingly, the account is fully provided with allowance for doubtful account.

Receivables from Paramount

The sale of Individual Life Insurance business portfolio of MB Life to Paramount in the year 2005, resulted to collection by Paramount of policyholders' payments related to unsold insurance portfolio. This comprises the receivables from Paramount amounting to ₱8,714,437.87 and ₱8,913,556 for the period December 31, 2017 and 2016, respectively. However, there are also payables to Paramount which are subject to reconciliation. Paramount and MB Life agree to duly settle these accounts once the joint reconciliation process is completed.

Loans and receivables from employees

This represents outstanding balances of loans and advances granted to the Company's employees.

Receivables from agents

This account pertains to the referral fees which are over-deducted by the agent in the remittance of premium payments from policy holders. The over-deduction on previous remittance will be off-set on the next remittance.

Chattel mortgage

The chattel mortgage earns interest of 12% per annum.

The movement of allowance for impairment of receivables is presented below.

Particulars	2017	2016
Beginning balance	₱ 10,701,950	₱ 521,027
Provision for doubtful accounts for the year	1,018,791	10,180,923
Ending balance	₱ 11,720,741	₱ 10,701,950

The table below summarizes the maturity profile of the loans and receivables based on the remaining contract maturity on the estimated timing of the cash flows as of December 31, 2017.

Particulars	December 31, 2017 Up to 1 year	1-3 years	Total
Real estate mortgage loan	₱ -	₱ 6,272,010	₱ 6,272,010
Receivables from life insurance pools	-	7,620,741	7,620,741
Receivables from related parties	95,399,802	57,532,331	152,932,133
Receivables from Paramount	421,578	8,714,438	9,136,016
Loans receivables from employees	7,477,707	2,627,871	10,105,578
Chattel mortgage	537,088	-	537,088
Receivables from agents	540,725	704,146	1,244,871
Receivables from group policy holders	248,491	655,815	904,306
Policy loan	582,239	-	582,239
Security fund contribution	-	20,995	20,995
Rent receivable	400,000	-	400,000
Total	₱ 105,607,630	₱ 84,148,347	₱ 189,755,977

The table below summarizes the maturity profile of the loans and receivables based on the remaining contract maturity on the estimated timing of the cash flows as of December 31, 2016.

Particulars	December 31, 2016 Up to 1 year	1-3 years	Total
Real estate mortgage loan	₱ -	₱ 65,364,305	₱ 65,364,305
Receivables from life insurance pools	-	7,620,741	7,620,741
Receivables from related parties	26,021,830	55,305,294	81,327,124
Receivables from Paramount	20,264	8,913,556	8,933,820
Loans receivables from employees	9,719,815	1,049,245	10,769,060
Chattel mortgage	741,078	-	741,078
Receivables from agents	658,344	704,144	1,362,488
Receivables from group policy holders	109,583	655,017	764,600
Policy loan	82,513	-	82,513
Security fund contribution	-	14,808	14,808
Total	₱ 37,353,427	₱ 139,627,110	₱ 176,980,537

NOTE 10 – ACCRUED INTEREST RECEIVABLE

For the years ended, December 31, 2017 and 2016, this account consists of accrued interest from real estate mortgage loans and loans to employees amounting to ₱24,822,586 and ₱25,749,643, respectively.

The detail of the account is as follows:

	2017	2016	2017 Admitted	2016 Admitted
Current	₱ **793,975**	₱ 1,023,403	₱ **793,975**	₱ 1,023,403
Non-current	**24,028,611**	24,726.240	**-**	-
Total	₱ **24,822,586**	₱ 25,749,643	₱ **793,975**	₱ 1,023,403

NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, this account consists of:

Particulars	2017	2016
Prepayments	₱ **1,466,731**	₱ 3,318,339
Supplies	**456,567**	654,644
Input VAT	**9,667,000**	7,935,906
Prepaid income tax	**961,486**	951,556
Creditable withholding tax	**-**	340,654
Deferred MCIT (Note 23)	**2,591,900**	1,309,644
Total	₱ **15,143,684**	₱ 14,510,743

NOTE 12 – DEFERRED TAX ASSETS AND LIABILITITES

As of December 31, 2017, this account consists of:

Particulars	Tax base				Tax Effect		
	Beginning Balance	Movement	Ending Balance	Tax Rate	Beginning Balance	Movement	**Ending Balance**
Deferred tax asset							
Accrual of retirement cost and contribution to retirement fund	₱ 11,993,716	₱ (4,648,632)	₱ 7,345,084	30%	₱ 3,598,115	₱ (1,394,589)	₱ **2,203,526**
Benefits paid	(706,161)	706,161	-	30%	(211,849)	211,849	**-**
Provision for uncollectible accounts	20,655,315	(8,477,330)	12,177,985	30%	6,196,594	(2,543,199)	**3,653,395**
NOLCO - 2014	105,710	(105,710)	-	30%	31,713	(31,713)	**-**
NOLCO - 2016	14,578,803	-	14,578,803	30%	4,393,141	-	**4,373,641**
NOLCO - 2017	-	21,619,707	21,619,707		-	6,485,912	**6,485,912**
Total deferred tax asset	₱ 46,627,383	₱ 9,094,196	₱ 55,721,579		₱ 13,988,214	₱ 2,728,259	₱ **16,716,474**
Deferred tax liability							
Revaluation reserve	₱ 10,313,000	₱ (10,313,000)	₱ -	30%	₱ 3,093,900	₱ (3,093,900)	₱ -
Total deferred tax liability	₱ 10,313,000	₱ (10,313,000)	₱ -		₱ 3,093,900	₱ (3,093,900)	₱ -

As of December 31, 2016, this account consists of:

Particulars	Tax base Beginning Balance	Tax base Movement	Tax base Ending Balance	Tax Rate	Tax Effect Beginning Balance	Tax Effect Movement	Tax Effect Ending Balance
Deferred tax asset							
Accrual of retirement cost and contribution to retirement fund	₱ 10,162,778	₱ 1,830,938	₱ 11,993,716	30%	₱ 3,048,834	₱ 549,281	₱ 3,598,115
Benefits paid	(706,161)		(706,161)	30%	(211,849)	-	(211,849)
Provision for uncollectible accounts	7,116,148	13,539,167	20,655,315	30%	2,134,844	4,061,750	6,196,594
NOLCO - 2014	105,710	-	105,710	30%	31,713	-	31,713
NOLCO - 2016	-	14,578,803	14,578,803	30%	-	4,373,641	4,393,141
Deferred tax liability							
Total deferred tax asset	₱ 16,503,268	₱ 29,948,908	₱ 46,627,383		₱ 5,003,542	₱ 8,984,672	₱ 13,988,214
Revaluation reserve	₱ 10,313,000	₱ -	₱ 10,313,000	30%	₱ 3,093,900	₱ -	₱ 3,093,900
Total deferred tax liability	₱ 10,313,000	₱ -	₱ 10,313,000		₱ 3,093,900	₱ -	₱ 3,093,900

NOTE 13 – AVAILABLE FOR SALE FINANCIAL ASSETS

As of December 31, 2017, the available for sale financial assets consist of:

Particulars	Fair value	Cost	Unrealized gain/(loss)	Admitted
Equity securities				
Traded	₱ 21,196,061	₱ 20,056,786	₱ 1,139,275	₱ 21,196,061
Non-traded	200,000	204,091	(4,091)	200,000
Golf club membership shares	200,000	740,000	(540,000)	200,000
Total	₱ 21,596,061	₱ 21,000,877	₱ 595,184	₱ 21,596,061

As of December 31, 2016, the available for sale financial assets consist of:

Particulars	Fair value	Cost	Unrealized gain/(loss)	Admitted
Equity securities				
Traded	₱ 21,541,784	₱ 20,405,163	₱ 1,136,621	₱ 21,541,784
Non-traded	200,000	204,091	(4,091)	200,000
Golf club membership shares	200,000	740,000	(540,000)	200,000
Total	₱ 21,941,784	₱ 21,349,254	₱ 592,530	₱ 21,941,784

Equity securities consist of investment in companies listed and not listed in the Philippine Stock Exchange.

The fair values of available-for-sale investments have been determined directly by reference to published prices in an active market.

The reconciliation of the carrying amounts of available-for-sale financial assets are as follows:

Particulars	**2017**	2016
Equity securities, traded		
Beginning balance	₱ **21,541,784**	₱ 22,135,070
Additions	**-**	-
Disposals	**(339,133)**	-
Fair value loss for the period	**(6,590)**	(593,286)
Ending balance	₱ **21,196,061**	₱ 21,541,784

Particulars		2017		2016
Equity securities, not traded				
Beginning balance	₱	**200,000**	₱	200,000
Additions		**-**		-
Disposals		**-**		-
Fair value gain / (loss) for the year		**-**		-
Ending balance	₱	**200,000**	₱	200,000
Golf club membership shares				
Beginning balance	₱	**200,000**	₱	710,000
Additions		**-**		-
Disposals		**-**		-
Fair value loss for the year		**-**		(510,000)
Ending balance	₱	**200,000**	₱	200,000
Total	₱	**21,596,061**	₱	21,941,784

Movements in the net unrealized gain (loss) on available-for-sale financial assets are as follows:

Particulars		2017		2016
Equity securities, traded				
Beginning balance	₱	**1,136,621**	₱	1,729,908
Reclassification adjustment		**9,243**		-
Fair value gain / (loss) for the year		**(6,590)**		(593,287)
Ending balance	₱	**1,139,274**	₱	1,136,621
Equity securities, not traded				
Beginning balance		**(4,091)**		(4,091)
Fair value gain / (loss) for the year		**-**		-
Ending balance	₱	**(4,091)**	₱	(4,091)
Golf club membership shares				
Beginning balance		**(540,000)**		(30,000)
Fair value loss for the year		**-**		(510,000)
Ending balance	₱	**(540,000)**	₱	(540,000)
Total	₱	**595,183**	₱	592,530

In 2017, the Company sold an investment held in East West Banking Corporation for ₱550,756 resulting to a gain on sale amounting to ₱202,380. (Note 34)

Total fair value loss for the period is summarized below:

Particulars		2017		2016
Equity securities, traded	₱	**(6,590)**	₱	(593,286)
Golf club membership shares		**-**		(510,000)
Total	₱	**(6,590)**	₱	(1,103,286)

NOTE 14 – HELD TO MATURITY INVESTMENTS

Held to maturity investments consists of Government Bonds and Corporate Bonds.

Government bonds consist of twenty and twenty-five-year peso denominated bonds issued by the Philippine government which bear fixed interest rate ranging from 5.875% to 8.125% per annum and with maturity dates ranging from July 19, 2031 to October 24, 2037.

Corporate bonds are seven and ten-year peso denominated bonds issued by a third party which bear fixed interest rate ranging from 5.625% to 9.925% per annum and with maturity dates ranging from December 4, 2018 to April 27, 2022.

Particulars	2017	2016	2017 Admitted	2016 Admitted
Government bonds	₱ **64,211,800**	₱ 64,301,762	₱ **64,211,800**	₱ 64,301,762
Corporate bonds	**15,106,520**	15,132,389	**15,106,520**	15,132,389
Total	₱ **79,318,320**	₱ 79,434,151	₱ **79,318,320**	₱ 79,434,151

The fair values of these bonds are based on the amortized cost using the straight-line method.

The reconciliation of the carrying amounts of held to maturity investments are as follows:

Particulars	2017	2016
Beginning balance	₱ **79,434,151**	₱ 80,706,365
Placements	-	-
Collection	-	(1,000,000)
Premium amortization	**(115,831)**	(272,214)
Ending balance	₱ **79,318,320**	₱ 79,434,151

For the year ended December 31, 2016, the Company disposed its corporate bond security with a face value of ₱1,000,000.

NOTE 15 –ASSETS HELD FOR SALE

As of December 31, the details of the account are as follows:

Particulars	Location	Classification	2017	2017 Admitted	2016	2016 Admitted
Land	Pangasinan	Agricultural	₱ -	₱ -	₱ 9,501,000	₱ 9,501,000
	Calamba	Residential	-	-	764,000	764,000
	Bulacan	Agricultural	-	-	1,937,000	1,937,000
	Caba	Agricultural	-	-	13,554,000	13,554,000
	Quezon	Agricultural	-	-	98,818	98,818
	General Santos City	Agricultural	-	-	31,500,000	31,500,000
Appraisal						
	Caba	Agricultural / Residential	-	-	646,000	646,000
	Bulacan	Agricultural	-	-	656,000	656,000
Total			₱ -	₱ -	₱ 58,656,818	₱ 58,656,818

In 2017, assets held for sale amounting to ₱58,656,818 were reclassified to investment property in accordance with the requirements of PFRS 40. (Note 16)

NOTE 16 –INVESTMENT PROPERTY

As of December 31, this account consists of:

Particulars	2017	2016	2017 Admitted	2016 Admitted
Building improvements	₱ **24,123,000**	₱ 24,123,000	₱ -	₱ -
Land	**69,694,818**	11,038,000	**58,656,818**	-
Total	₱ **93,817,818**	₱ 35,161,000	₱ **58,656,818**	₱ -

On April 2015, the Company entered into a lease agreement with The Karis Retreat House Tagaytay Foundation, Inc. for a term of 5 years. Related rental income for the years then ended December 31, 2017 and 2016 amounted to ₱1,200,000.

Certain properties previously accounted as assets held for sale were reclassified and presented as investment property in 2017. (Note 15)

NOTE 17 – PROPERTY AND EQUIPMENT, NET

The details of the account as of December 31, 2017 are shown below:

Particulars	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance	2017 Admitted
Cost:					
Building	₱ 1,184,932	₱ -	₱ -	₱ **1,184,932**	₱ -
Furniture and fixtures	3,549,756	74,687	-	**3,624,443**	-
Office equipment	8,900,336	254,718	-	**9,155,054**	-
Transportation equipment	5,524,893	-	1,363,000	**4,161,893**	-
Other assets	1,239,179	-	-	**1,239,179**	-
Leasehold improvements	10,798,385	2,157,687	3,805	**12,952,267**	-
IT systems software	1,169,046	19,107	9,822	**1,178,331**	**1,178,331**
Appraisal					
Building	38,077,500	-	-	**38,077,500**	-
Total Cost	₱ 70,444,027	₱ 2,506,199	₱ 1,376,627	₱ **71,573,599**	₱ **1,178,331**
Accumulated Depreciation:					
Building	₱ 1,184,932	₱ -	₱ -	₱ **1,184,932**	₱ -
Furniture and fixtures	2,345,681	296,622	-	**2,642,302**	-
Office equipment	7,430,938	426,752	-	**7,857,690**	-
Transportation equipment	2,469,393	656,033	454,583	**2,670,843**	-
Other assets	1,047,857	32,729	-	**1,080,586**	-
Leasehold improvements	7,644,010	4,284,103	-	**11,928,113**	-
IT systems software	723,348	156,482	-	**879,830**	**879,830**
Appraisal					
Building	22,846,500	9,519,375	-	**32,365,875**	-
Total Accumulated Depreciation	₱ 45,692,659	₱ 15,372,096	₱ 454,583	**60,610,171**	**879,830**
Net book/sound value	₱ 24,751,368			₱ **10,963,428**	₱ **298,501**

During the year, transportation equipment with net book value ₱954,100 was disposed for ₱905,528 resulting to loss on sale of property amounting to ₱48,572 (Note 38).

The details of the account as of December 31, 2016 are shown below:

Particulars		Beginning Balance		Additions		Disposals/ Adjustments		Ending Balance		2016 Admitted
Cost:										
Building	₱	1,184,932	₱	-	₱	-	₱	1,184,932	₱	-
Furniture and fixtures		3,395,538		154,218		-		3,549,756		-
Office equipment		8,115,114		739,446		45,776		8,900,336		-
Transportation equipment		5,524,893		-		-		5,524,893		-
Other assets		1,191,724		47,455		-		1,239,179		-
Leasehold Improvements		7,205,528		3,899,637		(306,780)		10,798,385		-
IT systems software		1,036,992		132,054		-		1,169,046		1,169,046
Appraisal										
*Building		10,313,000		-		27,764,500		38,077,500		-
Total Cost	₱	37,967,721	₱	4,972,810	₱	27,503,496	₱	70,444,027	₱	1,169,046
Accumulated Depreciation:										
Building	₱	1,184,932	₱	-	₱	-	₱	1,184,932	₱	
Furniture and fixtures		2,101,939		204,474		39,268		2,345,681		
Office equipment		6,689,991		740,947		-		7,430,938		
Transportation equipment		1,558,685		838,164		72,544		2,469,393		
Other assets		922,910		133,429		(8,482)		1,047,857		
Leasehold Improvements		4,214,392		3,840,600		(390,982)		7,644,010		
IT systems software		587,966		143,486		(8,104)		723,348		(723,348)
Appraisal										
*Building		-		-		22,846,500		22,846,500		
Total Accumulated Depreciation	₱	17,260,815	₱	5,901,100	₱	22,550,744	₱	45,692,659	₱	(723,348)
Net book/sound value	₱	20,706,906					₱	24,751,368	₱	445,698

**Adjustments pertains to fair value re-measurement*

Movement of revaluation increment is as follows:

Particulars		2017		2016
Revaluation increment, beginning	₱	**29,233,800**	₱	17,857,300
Depreciation of net appraisal increase on fixed assets		**(11,581,975)**		-
Appraisal increment for the year		-		11,376,500
Total	₱	**17,651,825**	₱	29,233,800

NOTE 18 – OTHER NON-CURRENT ASSETS

As of December 31, this account consists of:

Particulars		2017		2016
Rental deposit	₱	**4,544,797**	₱	3,608,408
Deposits with network providers		**1,267,924**		3,459,810
Total	₱	**5,812,721**	₱	7,068,218

NOTE 19 – POLICY AND CONTRACT CLAIMS PAYABLE

As of December 31, this account consists of:

Particulars		2017		2016
Group	₱	**9,181,187**	₱	7,678,328
Microinsurance		**10,929,171**		6,364,790
Total	₱	**20,110,358**	₱	14,043,118

NOTE 20 – PREMIUM DEPOSIT FUND

This account pertains to deposits from policyholders as advance premium payments, which earn interest at such rates as maybe declared by the Company each year but never at the lowest prevailing interest rate, net of tax, of savings accounts on banks. As of December 31, 2017 and 2016, the account amounted to ₱31,128,433 and ₱16,854,483, respectively.

NOTE 21– PAYABLES AND ACCRUED EXPENSES

This account consists of:

Particulars		2017		2016
Suppliers	₱	**5,182,537**	₱	13,892,614
Referror's and agent's retention fund		**4,241,470**		5,753,685
Lease liability		**1,412,605**		2,874,075
Due to government agencies		**1,280,775**		1,129,921
Dividends payable (Note 31)		**920,000**		785,718
Remittances unapplied deposit		-		98,005
Deposit held in trust		-		4,750
Due to employees		**23,440**		-
Other current liabilities		**203,756**		563,603
Total	₱	**13,264,583**	₱	25,102,371

Other current liabilities include payables to MRI Pool and Braveheart Multipurpose Cooperative, cash bond deposit and customers' miscellaneous deposit.

NOTE 22 – LEGAL POLICY RESERVES

As of December 31, 2017 and 2016, the account amounted to ₱128,599,796 and ₱129,734,177, respectively.

The balances of aggregate life policy reserves at the end of the year was actuarially determined and certified true and correct by the Company's actuary.

In December 31, 2017, the aggregate life policy reserve decreased by ₱1,134,381 while in 2016, the account increased by ₱54,445,813.

Re-measurement on the aggregate life policy reserve in compliance with IC Circular Letter 2016-66 was performed at the beginning of the year, as a result, the total revaluation recognized in other comprehensive income amounted to ₱48,811,462 while an increase in the legal policy expense is recognized in the profit and loss amounting to ₱47,677,081.

NOTE 23 – INCOME TAXES

The following tables present the computations for the Normal Corporate Income Tax and the Minimum Corporate Income Tax.

The detailed computation of the current tax expense under the Normal Corporate Income Tax for the year's ended December 31, 2017 and 2016 is as follows:

Particulars		2017		2016
Net income (loss)	₱	**(15,692,634)**	₱	(30,318,243)
Permanent differences:				
Dividend income (Note 33)		**(1,553,923)**		(1,425,371)
Interest income on bank deposits (Note 33)		**(51,109)**		(65,521)
Interest income on bonds (Note 33)		**(4,158,061)**		(4,178,501)
Gain on sale -AFS		**(202,381)**		-
Fines and penalties (Note 38)		**6,297,938**		20,000
Unallowable representation expense		**485,066**		662,229
Taxable prior period adjustments (Note 40)		**4,526,876**		5,356,500
Contribution to the retirement plan		**(268,844)**		-
Temporary differences:				
Expiration of NOLCO 2014		**(105,710)**		-
Provision for doubtful accounts for the year (Note 9)		**1,018,791**		10,638,168
Provision for impairment of investment in associates		**-**		2,901,000
Write-off of investment in associates		**(9,496,120)**		-
Retirement costs		**-**		1,830,938
Contributions to the retirement		**(2,419,596)**		-
Loss		**(21,619,707)**		(14,578,802)
Applicable tax rates		**30%**		30%
Current tax expense		**-**		-
Deferred tax expense resulting from the origination of temporary differences:				
Expiration of NOLCO 2014		**(31,713)**		-
Provision for doubtful accounts		**305,637**		4,061,750
Retirement costs		**-**		549,281
Contribution to the retirement plan		**(725,879)**		-
Write-off of investment in associate		**(2,848,836)**		-
NOLCO 2016		**6,485,912**		4,373,641
Deferred tax income		**3,185,121**		8,984,672
Aggregate tax income (expense)	₱	**3,185,121**	₱	(8,984,672)

While the Minimum Corporate Income Tax is computed as follows:

Particulars		2017		2016
Gross revenue				
Underwriting income (Note 32)	₱	**240,516,149**	₱	241,633,734
Other income		**5,387,771**		6,798,873
Sub-total		**245,903,920**		248,432,607
Direct cost and expenses		**(182,191,126)**		(182,950,425)
Gross income		**63,712,794**		65,482,182
MCIT Rate		**2%**		2%
Minimum Corporate Income Tax Due	₱	**1,274,256**	₱	1,309,644

For the year ended December 31, 2017 and 2016, the comparison between the Company's computed Normal Corporate Income Tax (NCIT) and Minimum Corporate Income Tax (MCIT) discloses that MCIT is higher than NCIT; hence, it is the basis of the Company's tax due for the period.

The details of the income tax payable as of December 31, are as follows:

Particulars		2017		2016
Tax still due	₱	**1,282,256**	₱	1,309,644
Income tax payments for the first three quarters		**(540,102)**		(536,903)
Creditable withholding tax applied		**(742,154)**		(772,741)
Income tax payable	₱	**-**	₱	-

NOTE 24 - RETIREMENT PLAN

The Company has a non-contributory retirement plan in trust, which took effect on Sept. 15, 1994 covering all regular, permanent and full-time employees of the company. This provision of the Plan allows the retirement of an employee who may have served the company for even less than ten (10) years as long as the employee retires at the age of 65. The plan also provides for death, permanent disability and severance benefits.

Derivations of liability to be recognized in the Statements of Financial Position as of December 31, are as follows:

Particulars		2017		2016
Present value of obligation	₱	**7,700,030**	₱	6,856,718
Fair value of plan assets		**(7,045,923)**		(2,522,507)
Liability, ending	₱	**654,107**	₱	4,334,211

Net plan costs for the calendar year are as follows:

Particulars		2017		2016
Current service cost	₱	**1,700,380**	₱	1,633,322
Net interest cost		**233,180**		197,616
Net plan cost to be recognized on profit or loss	₱	**1,933,560**	₱	1,830,938
Actuarial gain – obligation		**1,064,619**		916,800
Re-measurement on plan assets		**(72,955)**		(178,840)
Actuarial gain to be recognized on other comprehensive income	₱	**991,664**	₱	737,960
Net plan cost to be recognized on total comprehensive income	₱	**941,896**	₱	1,092,978

Movements of fair value of plan asset are as follows:

Particulars		2017		2016
Beginning balance	₱	**2,522,507**	₱	3,841,444
Contributions		**4,622,000**		800,000
Interest income		**135,711**		187,847
Benefits paid		**(161,340)**		(2,127,944)
Re-measurement on plan asset – OCI		**(72,955)**		(178,840)
Ending balance	₱	**7,045,923**	₱	2,522,507

As of December 31, details of China Bank Savings Trustee report on retirement fund are as follows:

Particulars	2017	2016
Deposit in banks	₱ 3,133	₱ 1,684,438
Investments	7,194,139	847,513
Receivables	30,271	918
Liabilities	(23,060)	(1,379)
Fund balance	₱ 7,204,483	₱ 2,531,491

NOTE 25 – SHARE CAPITAL

The account consists of the following:

Particulars	2017	2016
Authorized		
125,000,000 common shares at ₱1	₱ 125,000,000	₱ 125,000,000
125,000,000 preferred shares at ₱1	125,000,000	125,000,000
Total	₱ 250,000,000	₱ 250,000,000
Issued and Outstanding		
125,000,000 common shares at ₱1	₱ 125,000,000	₱ 125,000,000
125,000,000/ 54,687,500 preferred shares at ₱1	125,000,000	125,000,000
Less: Redemption of preferred shares	50,000,000	-
Subtotal	₱ 75,000,000	₱ 250,000,000
Total	₱ 200,000,000	₱ 250,000,000

During 2017, shareholders representing 50,000,000 shares exercised the redeemable option of the preferred shares. As a result, the Company recognized retirement equivalent to the amount of the redeemed shares amounting to ₱50,000,000.

In a meeting held on November 16, 2017, the directors and majority stockholders representing at least two-thirds (2/3) of the outstanding capital stock resolved to amend the Company's articles of incorporation.

The amended provisions of the articles of incorporation refer to Article VII:

> "The capital stock of the Corporation is ONE BLLION FIVE HUNDRED MILLION (₱1,500,000,000) PESOS, Philippine Currency, divided into ONE BILLION FOUR HUNDRED TWENTY-FIVE MILLION (₱1,425,000,000) common shares and SEVENTY-FIVE MILLION (₱75,000,000) preferred shares, both with par value of one (₱1) PESOS per share and of the net increase of ONE BILLION THREE HUNDRED MILLION (₱1,300,000,000) PESOS are common shares with a par value of One (₱1) PESOS per share"

As of December 31, 2017, the Company have not yet filed the Amendment of Articles of Incorporation with the Securities and Exchange Commission.

NOTE 26 – SURPLUS

The following comprise the balance of this account as of December 31, 2017, and 2016.

Particulars	2017	2016
Contributed Surplus	₱ **3,589,340**	₱ 3,589,340

Under Section 194 of the Insurance Code, Margin of Solvency, stockholders are allowed to make additional contribution in proportion to their respective interest to maintain the required margin of solvency. The contribution has been treated as Surplus by the Company.

NOTE 27 - RETAINED EARNINGS

The account consists of:

Items	2017	2016
Unappropriated retained earnings, beginning	₱ **5,385,182**	₱ 42,074,236
Adjustments:		
Prior period adjustments (Note 40)	**26,351,609**	(5,356,500)
Dividends declared during the year (Note 31)	**(8,776,421)**	(9,998,983)
Unappropriated retained earnings as adjusted, beginning	**22,960,370**	26,718,753
Net income (loss) based on the face of AFS	**25,697,806**	(8,115,824)
Less: Non-actual/unrealized income net of tax		
• Unrealized fair value gain (losses) on available for sale financial assets	**6,590**	(1,103,287)
• Reclassification to profit and loss on gain on available for sale financial assets for the year	**9,243**	-
• Remeasurement of net defined benefit plan	**(991,664)**	(737,960)
• Appraisal increment	**11,581,975**	(11,376,500)
• Unrealized gain on remeasurement of legal policy reserve	**(48,811,462)**	-
Net loss actual/realized	**(12,507,512)**	(21,333,571)
Unappropriated Retained Earnings, as adjusted ending	₱ **10,452,858**	₱ 5,385,182

NOTE 28 - MARGIN OF SOLVENCY

Under the Insurance Code of the Philippines, a domestic Life insurance company doing business in the Philippines shall maintain at all times a margin of solvency. The margin of solvency shall be the excess of the value of its admitted assets (as defined under the same Code) exclusive of its paid-up capital over the amount of its liabilities, unearned premiums and reinsurance reserves. Such margin shall in no event be less than ₱500,000.

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

NOTE 29 - NETWORTH REQUIREMENT

As of December 31, 2016, the Company is required to have a net worth balance of ₱550Million, additional net worth requirements of ₱350Million by December 31, 2019 and another ₱400Million by December 31, 2022. The Insurance Code defined net worth to consist of (a) Paid-up Capital, (b) Retained Earnings, (c) Unimpaired Surplus and (d) Revaluation of assets as may be approved by the Commissioner.

As of December 31, 2016, the Company failed to meet the net worth requirement and accordingly wrote the Insurance Commission (IC) to request for an extension to finalize its capital build-up program.

In its letter to the Commission dated December 29, 2016, the Company informed the Commission of its inability to meet the net worth requirement before the year ends. The Company also informed the Commission of ongoing discussions with potential investor.

In a letter dated January 3, 2017, the Commission approved the Company's request for extension and was given until April 30, 2017 to comply with the new minimum net worth requirement of ₱550Million.

As of April 30, 2017, no additional infusion of capital was made to comply with the net worth requirements. Accordingly, the Company rewrote its letter to the Insurance Commission dated October 3, 2017 requesting for the extension of its compliance period until November 30, 2017.

In addition, a letter was provided to the Commission on October 23, 2017 informing the sale of ordinary shares to IMG Insurance Brokers as an initial undertaking for the capital infusion.

In December 11, 2017, the Company received a notice from the Insurance Commission informing the need for the immediate capital infusion of IMG Insurance Brokers amounting to ₱121,081,865 to allow the Company to extend its Certificate of Authority and operate unhampered. Further, the Commission requires the infusion of ₱288,951,389 by the investor to be recognized as Deposit for Future Subscription after completion of the due diligence audit to fully comply with the minimum net worth requirements.

On February 9, 2018, the Company informed the Insurance Commission of the capital infusion made by IMG Insurance Brokers Corporation amounting to ₱410,034,000, recognized in the books under deposits for future stock subscription.

NOTE 30 - TRANSACTIONS WITH RELATED PARTIES

The Company's transactions with related parties consist mainly of interest bearing loans granted to officers and affiliates, rental of office space, investments, insurance coverage for the officers of some of its affiliates and loan availments from a stockholder.

Employee benefits of key management personnel (covering senior managers and up) included under 'Salaries, bonuses and employee benefits' in the statement of income amounted to ₱8,832,000 and ₱10,504,000 as of December 31, 2017 and 2016, respectively.

Outstanding balances from related party transactions in December 31, 2017 are summarized below:

Particulars	Beginning Balance	Additions	Collections/ Return	Reclassification	**Ending Balance**
Real estate mortgage loan					
VGP Group, Inc.	₱ **42,000,000**	₱ -	₱ -	₱ -	₱ **42,000,000**
Maggamby Holdings, Inc	**6,000,000**	-	-	-	**6,000,000**
Manor Management Corp.	**5,000,000**	-	-	-	**5,000,000**
Officers	**4,532,331**	-	-	-	**4,532,331**
Subtotal	₱ **57,532,331**	₱ -	₱ -	₱ -	₱ **57,532,331**
Receivables:					
Officers	₱ **53,980,002**	₱ 20,527,450	₱ (28,848,333)	₱ -	₱ **45,659,119**
Stockholders	-	31,190,962	-	-	**31,190,962**
PJS	**70,930**	-	-	(869)	**70,061**
Manor Management Corp.	**18,775,691**	-	-	(296,031)	**18,479,660**
Subtotal	₱ **72,826,623**	₱ 51,718,412	₱ (28,848,333)	₱ (296,900)	₱ **95,399,802**
Total	₱ **130,358,954**	₱ 51,718,412	₱ (28,848,333)	₱ (296,600)	₱ **152,932,133**

Outstanding balances from related party transactions in December 31, 2016 are summarized below:

Particulars	Beginning Balance	Additions	Collections/ Return	Reclassification	Ending Balance
Real estate mortgage loan					
VGP Group, Inc.	₱ 42,000,000	₱ -	₱ -	₱ -	₱ 42,000,000
Maggamby Holdings, Inc	6,000,000	-	-	-	6,000,000
Manor Management Corp.	5,000,000	-	-	-	5,000,000
Officers	4,532,331	-	-	-	4,532,331
Subtotal	₱ 57,532,331	₱ -	₱ -	₱ -	₱ 57,532,331
Receivables:					
Officers	₱ 27,980,002	₱ 26,000,000	₱ -	₱ -	₱ 53,980,002
PJS	49,100	21,830	-	-	70,930
Manor Management Corp.	18,775,691	-	-	-	18,775,691
Subtotal	₱ 46,804,793	₱ 26,021,830	₱ -	₱ -	₱ 72,826,623
Total	₱ 100,304,793	₱ 26,021,830	₱ -	₱ -	₱ 126,326,623

During the year the Company recognized receivables from its preferred stockholders amounting to ₱31,190,962 which represents the dividend distributed from 2014 to 2017. Recognition process performed by the Company is pursuant to the letter issued by the Insurance Commission in view of the Company's violation of the provisions under Section 201 of the Amended Insurance Code wherein the Company is being directed to perform the following:

a. Restoration of the full amount of dividends distributed to the stockholders;
b. Payment of fine amounting to ₱200,000 as defined in Section 438 of the Amended Insurance Code; and
c. Submission of complete records with regard the dividend declarations.

NOTE 31 - DIVIDEND DECLARATION AND DISTRIBUTION

Under the Insurance Code, a domestic Life insurance company shall declare or distribute dividends on its outstanding stocks only from profits remaining on hand after retaining unimpaired:

a. the entire paid-up capital stock;
b. the margin of solvency required;
c. the legal reserve fund required; and
d. a sum sufficient to pay all net losses reported or in the course of settlement, and all liabilities for expenses and taxes.

The Company declared cash dividends amounting to ₱8,776,421 to its preferred stockholders. The dates of declaration are as follows:

Date of declaration		Amount of dividends declared
January 31, 2017	₱	333,334
March 31, 2017		1,499,660
April 30, 2017		1,000,000
June 30, 2017		1,499,660
July 31, 2017		1,000,000
September 30, 2017		1,909,660
November 30, 2017		34,111
December 31, 2017		1,499,996
Total dividends declared	₱	**8,776,421**

Of this amount, only ₱7,856,421 was paid while the remaining ₱920,000 was not yet paid and is reported as dividends payable in 2016. (Note 21)

In 2017, the Insurance Commission issued a memorandum ordering the Company to restore dividends distributed from 2014 to 2017 to preferred stockholders amounting to ₱31,190,962 in compliance with the requirements of Section 201 of the Amended Insurance Code.

NOTE 32 – INSURANCE PREMIUM

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Insurance premium	₱ **239,792,246**	₱ 226,869,874
Other premium	**8,751,645**	9,069,101
Subtotal	₱ **248,543,891**	₱ 235,938,975
Increase (decrease) in net due and deferred premium	**(7,917,190)**	6,574,934
Gross premium on insurance contract	₱ **240,626,701**	₱ 242,513,909
Reinsurer's share of gross insurance premium	**(110,552)**	(880,175)
Net	₱ **240,516,149**	₱ 241,633,734

NOTE 33 – FINANCE INCOME

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Interest income from investment in bonds	₱ **4,158,061**	₱ 3,895,097
Dividend income	**1,553,923**	1,425,371
Interest income from banks	**51,109**	65,521
Interest income from policy loans	**44,619**	2,538
Net	₱ **5,807,712**	₱ 5,388,527

NOTE 34 – OTHER INCOME

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Interest from mortgage and collateral loans	₱ **3,208,484**	₱ 4,242,366
Other miscellaneous income	**2,534,669**	2,553,969
Gain on sale of stocks	**202,380**	-
Total	₱ **5,945,533**	₱ 6,796,335

Other miscellaneous income consists mainly of network fees, and rent income.

NOTE 35 – GROSS BENEFIT AND CLAIMS PAID ON INSURANCE CONTRACTS

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Death benefit	₱ **22,305,303**	₱ 15,176,559
Hospitalization benefit	**18,940,468**	12,043,595
Total	₱ **41,245,771**	₱ 27,220,154

NOTE 36 – COMMISSION EXPENSES

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Referral fees	₱ **71,375,477**	₱ 79,291,916

NOTE 37 – UNDERWRITING EXPENSES

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Administrative	₱ **14,924,430**	₱ 16,589,402
Experience refund	**5,688,535**	4,116,469
Surrender benefits	**1,157,180**	1,157,391
Agency outside services	**61,875**	86,000
Medical fee	**41,528**	10,741
Documentary stamp tax	**19,250**	32,540
Total	₱ **21,892,798**	₱ 21,992,543

NOTE 38 – GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Salaries and other benefits	₱ 28,312,575	₱ 29,328,813
Rental	13,577,795	10,935,878
Consultants' fees	7,725,517	16,009,971
Fines and penalties	6,297,938	20,000
Depreciation (Note 17)	5,852,721	5,846,350
Professional fees	4,950,995	5,356,958
Communication and postages	3,098,525	3,561,317
Light and water	1,925,501	2,169,196
Representation and entertainment	1,688,200	1,874,799
Printing, stationery and supplies	1,352,768	1,380,339
Taxes and licenses (Note 43)	1,216,404	1,649,971
Provision for doubtful accounts	1,018,791	10,638,168
Transportation and travel	909,243	904,599
Insurance	708,036	527,267
Directors' bonuses	367,500	367,500
Repairs and maintenance	286,680	160,611
Shipping charges	274,242	304,230
Association dues	248,442	293,060
Advertising and promotion	152,157	199,876
Directors' fees	120,000	160,000
Donations and contributions	88,778	39,863
Loss on sale of property (Note 17)	48,572	-
Security expense	2,350	93,413
Provision for impairment of investment in associates	-	2,901,000
Appraiser and survey fees	-	12,500
Miscellaneous	1,218,434	1,341,296
Total	₱ 81,442,164	₱ 96,076,975

NOTE 39 – FINANCE COST

For the years ended December 31, the account consists of the following:

Particulars	2017	2016
Bank charges	₱ 4,173,110	₱ 4,692,968
Interest expense – Premium deposit fund	155,627	252,826
Interest expense - Loans	-	163,645
Net	₱ 4,328,737	₱ 5,109,439

NOTE 40 – PRIOR PERIOD ADJUSTMENT

In 2017, the Company's current year's operations were restated to effect the following adjustments:

- Reestablishment of the balance of the retained earnings to recover the dividends distributed to the preferred stockholders amounting to ₱31,190,962 in compliance with the memorandum issued by the Insurance Commission.
- Recognition of installment payments to Paramount Life and General Insurance Corporation as a result of the sale of the individual insurance business in 2005. Payments for the year amounting to ₱11,568,499 was charged against the retained earnings as part of the on-going reconciliation process.

- Reversal of the accrued bonus recognized for the prior year amounting to ₱4,462,036 as the targeted sales were not achieved from which the bonus is dependent upon.
- Identification of various expenditures incurred and income realized in 2016 which were not recognized in the books, the net effect of these transactions resulted to overstatement of income amounting to ₱2,621,491.
- Reestablishment of the deferred tax asset to derecognize ₱456,862 balance, for which specific identification disclosed that no benefit will be derived by the Company from its application.
- The Company identified property and equipment which have been erroneously recognized as expense in the prior periods resulting to understatement of income; this amounted to ₱187,587.
- Restatement of the ₱5,156,500 depreciation expense for the building recognized under profit and loss which should have been charged against the asset revaluation reserve.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Property and equipment	₱ 24,751,368	₱ 187,587	₱ 24,938,955
Deferred tax asset	13,988,214	(456,862)	13,531,352
Asset revaluation reserve	29,233,800	(5,156,500)	24,077,800
Retained earnings	5,385,182	26,351,609	31,736,791

In 2016, the Company's current year's operations were restated to effect the following adjustments:

- Recognition of the depreciation of office condominium units appraised in 2011 which remaining useful life is only determined in 2016. As a result, income for the prior periods were overstated by ₱5,156,500.
- Recognition of additional past service cost based on updated actuarial report on retirement benefits amounting to ₱200,000.

Accounts	Beginning Balance as of January 1, 2016	Adjustments/ Corrections	Adjusted Beginning Balance
Retained earnings	₱ 42,074,038	₱ 5,356,500	₱ 36,717,738

NOTE 41 – LEASE AGREEMENT

As of December 31, 2017 and 2016, the Company leases its investment properties situated in Tagaytay to The Karis Retreat House Tagaytay Foundation, Inc. The lease agreement with monthly rental of ₱100,000 has a 5-year term starting from April 10, 2015 to April 9, 2020. The future lease receivable on this agreement are as follows:

Particulars	**2017**	2016
Within one year	₱ **1,200,000**	₱ 1,200,000
After one year but not more than five years	**3,600,000**	4,800,000
Total	₱ **4,800,000**	₱ 6,000,000

As of December 31, 2017 and 2016, the Company has several agreements with various entities for lease of commercial space and offices. The future lease liabilities on these agreements are presented as follows:

Particulars	**2017**	2016
Within one year	₱ **1,267,035**	₱ 10,471,629
After one year but not more than five years	-	1,124,472
Total	₱ **1,267,035**	₱ 11,596,101

For the years ended December 31, rental expense amounted to ₱13,577,795 and ₱10,935,878 in 2017 and 2016, respectively (Note 38).

NOTE 42 – OTHER MATTERS

As of December 31, 2017, the Company has the following legal cases:

A. *National Food Authority vs. MBLIC*
Civil Case No. Q-03-50719
Regional Trial Court of Quezon City, Branch 218

The Supreme Court has denied with finality the Petition for Review on Certiorari, which was filed by the NFA. Earlier, the Court of appeals through its September 16, 2016 Decision dismissed the claim of NFA for actual, moral and exemplary damages in the amount of Twenty-three Million Pesos (₱23,000,000) plus 25% attorney's fees.

This case may now be considered closed and terminated.

B. *University of the Philippines vs. MBLIC*
Civil Case No. Q-94-22383
Regional Trial Court of Quezon City, Branch 224

The Regional Trial Court (Branch 85) of Quezon City issued a Resolution dated July 20, 2017 denying UP's Motion for Reconsideration. Earlier, the Court rendered a Decision, dated December 6, 2016 dismissing UP's claim for payment of the amount of approximately ₱13.2 million representing purported unpaid rentals for the use of Asian Institute of Tourism House along Commonwealth Avenue, Quezon City.

We expect for UP to appeal the decision dismissing its complaint.

C. *Bureau of Internal Revenue (BIR) vs. MBLIC*
DST Tax Issue
Assessment No. DS-125-00000-139-10-16-226

This case involves the purported failure of the Company to pay documentary stamp taxes for insurance policies issued in 2010. The Bureau of Internal Revenue (BIR) has actually issued a warrant of distraint and levy for the total assessment of ₱32,988,999.32 (principal of ₱15,727,514 and interest of ₱17,261,485.23)

The Company filed for compromise settlement and paid the amount of approximately ₱6.3 million. The application for compromise is still pending evaluation.

NOTE 43 – SUPPLEMENTARY TAX INFORMATION UNDER RR 15- 2010

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

43.1 Percentage tax

The amount of percentage taxes paid during the periods ended December 31, 2017 and 2016 are presented below:

Particulars	**2017**		2016	
	Tax base	**Premium tax**	Tax base	Premium tax
Insurance premium tax	₱ **245,418,145**	₱ **4,908,363**	₱ 235,938,975	₱ 4,719,787

43.2 Value added tax

Output VAT declared for the periods ended December 31, 2017 and 2016 and the revenues upon which the same was based consist of:

Particulars	2017		2016	
	Sales/ receipts	**Output tax**	Sales/ receipts	Output tax
Sales of services	₱ **4,715,948**	₱ **565,914**	₱ 4,775,817	₱ 563,067

Movement of input VAT for the periods ended December 31, 2017 and 2016 are as follows:

Particulars	2017	2016
Beginning of the year	₱ **7,498**	₱ 12,665
Current year's domestic purchases/ payments for:		
Goods other than for resale or manufacture	**75,252**	254,601
Services lodged under other accounts	**2,733,939**	2,586,175
Total	₱ **2,816,689**	₱ 2,853,441
Claims for tax credit/refund and other adjustments	**2,792,366**	2,845,943
Balance at the end of the year	₱ **24,323**	₱ 7,498

43.3 Importation

The Company did not have any purchases of imported goods subject to custom duties and tariff fees for the periods ended December 31, 2017 and 2016.

43.4 Excise taxes

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

43.5 Documentary stamp tax

Particulars	2017		2016	
	Amount	**DST thereon**	Amount	DST thereon
Loan instruments	₱ **1,589,352**	₱ **6,810**	₱ 11,963,800	₱ 59,819
Insurance premiums	**536,307,824**	**29,240**	781,855,031	32,540
Total		₱ **36,050**		₱ 92,359

Documentary stamp taxes (DST) on loan instruments are borne by the borrowers.

The tax base on documentary stamp tax on insurance premiums is based on the number of newly issued insurance policy which equals to 4,307 and 6,164 for the periods ended December 31, 2017 and 2016, respectively.

43.6 All other local and national taxes

The taxes and licenses paid by the company in December 31, 2017 and 2016 are as follows:

Particulars		2017		2016
a. Local				
Real property taxes	₱	**123,734**	₱	123,761
Barangay clearance/ Mayor's permit		**929,099**		1,199,495
Professional tax receipt		**3,795**		1,200
Registration to LTO		**6,638**		9,176
Registration to IC		**-**		30,800
Documentary stamp tax		**1,926**		19,460
b. National				
BIR annual registration		**7,500**		7,000
Insurance commission renewal and filing fee		**143,713**		259,079
Total (Note 38)	₱	**1,216,405**	₱	1,649,971

In addition to the taxes and licenses in the above table, the Company paid the following taxes and licenses which the Company charged to its policyholders:

Particulars		2017		2016
Mayor's permit	₱	**577,592**	₱	532,707
Barangay clearance		**21,742**		7,321
Community tax certificate		**14,212**		42,838
Total	₱	**613,545**	₱	582,866

43.7 Withholding taxes

For the periods ended December 31, 2017 and 2016, the amounts of withholding taxes paid are as follows:

Particulars		2017		2016
Tax on compensation	₱	**3,311,139**	₱	3,149,803
Expanded withholding taxes		**9,766,987**		12,297,567
Total	₱	**13,078,126**	₱	15,447,370

43.8 Deficiency tax assessments

The Company paid 40% of the basic assessment for 2010 of deficiency tax assessment for the period ended December 31, 2017, amounting to ₱6,291,005. No payment was made for 2016.

43.9 Tax cases

The tax assessments and cases of the Company for 2017 are as follows:

A. *MBLIC vs. Commissioner of Internal Revenue*

CTA Case Nos. 7266, 7378 and 7324
Court of Tax Appeals, Second Division
G.R. No. 199729-30, Supreme Court, Second Division

This is a consolidated case for MBLIC's 2001, 2002 and 2003 tax assessments. On 12 November 2009, we received a copy of the Court of Tax Appeals' ("CTA") Decision promulgated on 6 November 2009 ordering MBLIC to pay a total of P14, 063,607.51 as deficiency MCIT and DST. The cases are as follows with their corresponding deficiencies in Minimum Corporate Income Tax (MCIT) and Documentary Stamp Tax (DST) and increments:

Case No. 7266 (2001 assessment)-P7, 951,462.28
Case No. 7323 (2002 assessment)–P2, 528,424.74
Case No. 7378 (2003 assessment) – P2, 083,203.48

On 27 November 2009, MBLIC filed its Partial Motion for Reconsideration on the CTA's Decision. On 6 April 2010, the CTA-Division rendered its Resolution denying the motions for reconsideration filed by both MBLIC and the Commissioner of Internal Revenue ("CIR").

On 5 May 2010 and 7 May 2010, MBLIC and the CIR respectively filed their Petitions for Review (docketed as CTA EB Case Nos. 621 and 620) before the CTA *En Banc.* On 18 August 2011, the CTA *En Banc* promulgated its Decision affirming the Decision of the CTA's Former Second Division dated 6 November 2009 and denying the Petitions for Review filed by MBLIC and the BIR. Subsequently, the BIR filed a Motion for Reconsideration and MBLIC filed its Motion for Partial Reconsideration of the CTA *En Banc's* Decision. On 9 December 2011, the CTA *En Banc* promulgated its Resolution denying MBLIC's Motion for Partial Reconsideration and the BIR's Motion for Reconsideration.

In the En Banc Decision dated 18 August 2011, In the En Banc Decision dated 18 August 2011, the Decision was affirmed in toto.

B. ***MBLIC vs. Commissioner of Internal Revenue***

G.R. No. 199732-33
(CTA EB Case No. 620 and 621)

On 1 February 2012, MBLIC filed its Petition for Review on Certiorari before the Supreme Court questioning the CTA *En Ban's* Decision and Resolution docketed as G.R. No. 199729-30. On 9 February 2012, we received a copy of the Petition dated 3 February 2012 filed by the BIR likewise questioning the CTA *EnBanc's* Decision and Resolution. Pursuant to the order of the Supreme Court, MBLIC file its Comment on 10 April 2012 to the BIR's Petition for Review on Certiorari. On 2 August 2012, CIR filed its Comment on MBLIC's Petition for Review.

The Supreme Court also required CIR to file a Reply to MBLIC's Comment. On 23 January 2013, we received a copy of CIR's Reply dated 18 January 2013.On 6 May 2013, we received the Court's Resolution dated 4 February 2013 granting the Officer of the Solicitor General's ("OSG") fourth to sixth motions for extension of time to file the CIR's reply and taking note of the CIR's filing of its reply. On 15 December 2014, the Firm filed its Notice of Withdrawal of Appearance as Counsel dated 10 December 2014 upon the Company's instruction and with its written conformity thereto.

On May 8, 2013, PJS received SC resolution granting Office of Solicitor General 4th to 6th motion for extension of time to file CIR reply.

All these cases are consolidated and still pending before the Supreme Court.

C. ***Bureau of Internal Revenue (BIR) vs. MBLIC***

DST Tax Issue
Assessment No. DS-125-00000-139-10-16-226

This case involves the purported failure of the Company to pay documentary stamp taxes for insurance policies issued in 2010. The Bureau of Internal Revenue (BIR) has actually issued a warrant of distraint and levy for the total assessment of ₱32,988,999.32 (principal of ₱15,727,514 and interest of ₱17,261,485.23)

The Company filed for compromise settlement and paid the amount of approximately ₱6.3 million. The application for compromise is still pending evaluation.

MANILA BANKERS LIFE INSURANCE CORPORATION

Annex 68-C, SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2017 and 2016

Items	2017	2016
Unappropriated retained earnings, beginning	₱ 5,385,182	₱ 42,074,236
Adjustments: Prior period adjustments	26,351,609	(5,356,500)
Unappropriated retained earnings, as adjusted, beginning	₱ 31,736,791	₱ 36,717,736
Net income (loss) based on the face of AFS	25,697,806	(8,115,824)
Less: Non-actual/unrealized income net of tax		
• Equity in net income of associate/joint venture	-	-
• Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) unrealized actuarial gain	-	-
• Fair value adjustment (M2M gains)	-	-
• Fair value adjustment of Investment Property resulting to gain	11,581,975	(11,376,500)
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 the PFRS	-	-
• Unrealized fair value gain (losses) on available for sale financial assets	6,590	(1,103,287)
• Reclassification to profit and loss on gain on sale available for sale financial assets	9,243	-
•Unrealized gain on remeasurement of legal policy reserve	(48,811,462)	
Add: Non-actual losses	-	
• Depreciation on revaluation increment (after tax)	-	-
• Adjustment due to deviation from PFRS/GAAP - loss	-	-
• Remeasurement of net defined benefit plan	(991,664)	(737,960)
•Loss on fair value adjustment of investment property (after tax)	-	-
Net loss actual/realized	₱ (12,507,512)	₱ (21,333,571)
Add/(Less):		
Dividends received from an associate	-	-
Dividend declared to stockholder	-	-
Dividend declared and paid	(7,856,421)	(9,213,265)
Dividend declared but not yet paid	(920,000)	(785,718)
Subtotal	(8,776,421)	(9,998,983)
Unappropriated retained earnings, as adjusted, ending	₱ 10,452,857	₱ 5,385,182

MANILA BANKERS LIFE INSURANCE CORPORATION

Schedule of Philippine Financial Reporting Standards effective as at December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Liabilities			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Disclosures of Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9			✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short- Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Classification of Derivatives as Current or Non-Current			✓
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		
	Amendments to PAS 1: Comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		
	Amendments to PAS 17: Classification of Land Leases	✓		
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
	Amendments for investment entities			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non- Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
IFRIC 17	Distributions of Non-Cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓