PRU LIFE U.K.

Always Listening. Always Understanding.

2015 Annual Report

20

years of Prudence
in the Philippines

2015 Annual Report

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MESSAGE FROM THE CHAIRMAN

Prudential's brand of financial strength transcends mere gains and acquisitions. It is highly regarded for its resilience amidst volatile market conditions; a trait Pru Life UK consistently embodies. Despite slower economic growth in both the global and local arena last year and the challenges it imposed on financial firms worldwide, the Company delivered robust results and stable earnings for its various stakeholders. Its solid performance, backed by Asia's best and largest retail asset manager, Eastspring Investments, continues to make it a dependable institution to invest in[*]. The Company's strategic focus on innovation remains its greatest advantage and key driver for sustainable growth. It knows how crucial it is to respond to customer demands.

This steadfast goal to always listen and understand our customers, as well as to respond to them, is the basis of our achievements throughout the years we have been operating in the Philippines. In 2001, the Company became a major player in the industry after only half a decade of operations. A year later, it pioneered the sale of investment-linked life insurance products. It has since launched various ingenious products and funds that help address the insurance needs of Filipinos across the country. Currently, Pru Life UK ranks fifth in the industry in terms of total premium income and third according to net income, surpassing even some of the older and more established insurance institutions[1].

Behind the Company's success is a great team of people, trained with the culture of collaboration. Pru Life UK is composed of some of the most dynamic individuals – from its head office employees to the 14,000-strong Agency Force who work the grassroots – led by a talented and experienced senior management. On behalf of the Board and Management, I would like to express my sincerest gratitude to this well-oiled machine, as our achievements would not have been possible without you.

I would like to thank our dear policyholders as well, for entrusting us with their financial security. Rest assured that the Company as a whole is resolutely committed to elevating Pru Life UK to a leading position in the industry by way of sound corporate governance, judicious risk management, and a keen sense of social responsibility.

As we celebrate our 20th anniversary this year, let us continue fostering the culture of excellence, collaboration, and innovation in Pru Life UK.

Cheers,

Henry Joseph M. Herrera
Chairman

Source:

[*] Eastspring Investments (Singapore) Limited, Pru Life UK's fund manager, is a unit of Eastspring Investments which was Asia's largest retail fund manager for three years in a row from 2012 - 2014, according to an annual survey by Asia Asset Management.
[1] http://www.insurance.gov.ph/htm/_reports.asp

"...the Company as a whole is resolutely committed to elevating Pru Life UK to a leading position in the industry by way of sound corporate governance, judicious risk management, and a keen sense of social responsibility."

MESSAGE FROM THE CEO

In 2015, we built scale and quality through our unwavering culture of collaboration.

Last year proved to be a difficult year for the Philippine economy, as growth slowed down to 5.8% from 6.1% in 2014 and 7.2% in 2013.[1] Strong domestic demand was pulled back by declines in manufacturing, exports, and agriculture in the first half of the year.[2]

Despite the volatile economic environment, Pru Life UK held steady.

Together, we booked PhP 19.81 billion in total premium income in 2015, an increase of about 20% from PhP 16.446 billion in 2014. We also filed a net income of PhP 2.334 billion. In terms of Annual Premium Equivalent, we posted PhP 4.08 billion in 2015 from PhP 3.75 billion for the previous year.

Together, we shaped the industry by introducing enhancements to our superior line of unit-linked life insurance products and portfolio of funds. In 2014, we launched the PRUlink global emerging markets dynamic fund (GEM), as well as the PRUlink cash flow fund (CFF), which is the Philippines' first US dollar-denominated payout-based fund that aims to provide regular quarterly payouts of up to 4% annually to policyholders. **We also successfully issued our first-ever payout for the CFF and did so for three consecutive quarters as targeted.** We delivered on our commitment to complete our quarterly payout on our first anniversary in March 2016, and I have faith we will do the same in the years to come.

Together, we built scale as we grew our agency force to 14,000, which is still the largest in the industry. This is an evidence of our ever-steadfast culture of collaboration. We have 14,000-strong knowledgeable and professional men and women from the Pru who have the passion to help make life better for every Filipino across the country. The men and women from the Pru are agents of hope, who can be trusted for sound financial advice for every life stage. More and more Filipino families turn to our agents as partners, whether in making dreams come true or even during the most trying times.

Together, we were able to make life better for super typhoon Yolanda survivors in Bantayan Island, Cebu as we turned over a total of 64 disaster-resilient homes. The Prudential agent- and employee-volunteers from 12 Asian countries and the United Kingdom actively participated in the three-part Regional PruVolunteer Programme of Prudence Foundation. The efforts shown by the Company and volunteers not only built homes, but also built the faith that in collective action, we bring hope and empowerment to Filipinos in disadvantaged communities.

Together, we taught the money-smart values of earning, saving, smart-spending, and donating to over 95,000 children and 76 partner schools nationwide through our flagship corporate social responsibility program Cha-Ching Financial Literacy for the Youth. We held our second Cha-Ching Educators' Conference on Financial Literacy and launched the Cha-Ching mobile classroom – culminating our fourth milestone year for Cha-Ching. It is a life-changing experience in which we have built a network of Cha-Ching ambassadors who share the same advocacy in promoting financial literacy in the Philippines.

By December 2015, we were able to move to the new headquarters in Uptown Bonifacio, Taguig City. We put the welfare of our people at the forefront of our efforts – they who tirelessly work in the head office to keep efficient day-to-day operations to make life better for our life insurance agents and clients. With the new facilities in our four-floor office, we hope to make life better for them, too.

As a life insurance company, we have the responsibility to reach out to the most number of Filipinos to make their life better, and this is only possible by genuinely caring for the needs and aspirations of our customers. This has been our mission since our establishment in 1996. In a fast-paced world where it is easier to march on our own and focus on how we can increase our financial gains as a multinational company, we set ourselves apart by being the Company that always listens to, understands, and responds to the needs of the Filipino people. As we mark our 20th year in 2016, we continue to stay true to this commitment.

We reached our goals and ended strong in 2015. 2016 will be another banner year as we hit 20.

Here's to breaking more records in 2016.

Cheers,

Antonio G. De Rosas
President and Chief Executive Officer

Sources:
[1]http://www.gov.ph/report/gdp
[2]http://www.adb.org/news/philippines-grow-60-2015-63-2016-spending-pickup-adb

CORPORATE OBJECTIVES, MISSION, VISION, AND GUIDING PRINCIPLES

Coinciding with the Company's 20th year in the Philippines, Pru Life UK recently moved to its new head office in Uptown Bonifacio, Taguig City.

Corporate objectives

(a) Build a strong, capable and productive agency force

(b) Introduce products that cater to changing customer needs and preferences with particular focus on addressing protection gap

(c) Streamline and rationalize work processes with the end in view of improving efficiency and customer service

Mission and vision

We take the risk out of people's lives.

We are the trusted leaders who listen and respond to the financial needs of the Filipino people.

We are committed to:

- dealing honestly and fairly with our public;
- exceeding customer expectation in services and products;
- caring for the well-being and development of our people;
- giving a fair return to our stakeholders; and
- contributing to the development of the Filipino community.

Our guiding principles

- We maintain and develop the Company's reputation for integrity, fair dealing and security.
- We work as a team, as a family, unified in purpose, treating each other with respect and care in an atmosphere of mutual trust and in a happy working environment.
- We promote the art of listening as it is only in listening to the needs of our customers that we can know and understand their specific needs.
- We communicate openly and constantly with our customers and our own people.
- We develop ourselves continually to our fullest potential to keep improving the quality of everything we do.
- We maintain a strong financial position to meet our promise of financial stability to all our customers.
- We are accurate and timely.
- We have a strong sense of responsibility and will work toward the achievement of the Philippines' economic goal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

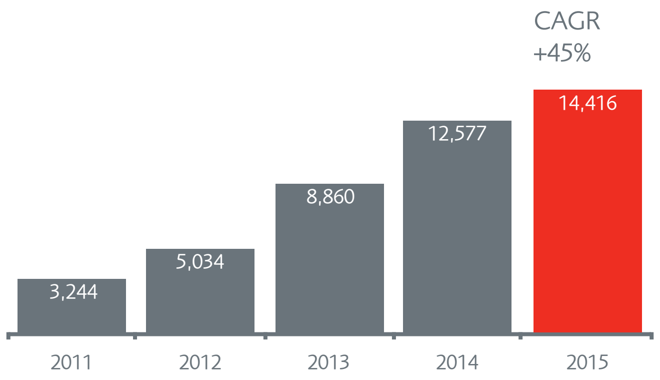
(FINANCIAL AND NON-FINANCIAL INDICATORS)

Pru Life UK posted another strong performance in 2015. Respectable growth was achieved in key performance areas despite the strong headwinds in the financial markets, particularly the downturn in the Philippine stock index.

The Company remained faithful on its mission of providing protection and savings opportunities to its customers by offering products that are supportive of achieving financial independence. We continue to adhere to the Company's credo, "Always Listening. Always Understanding."

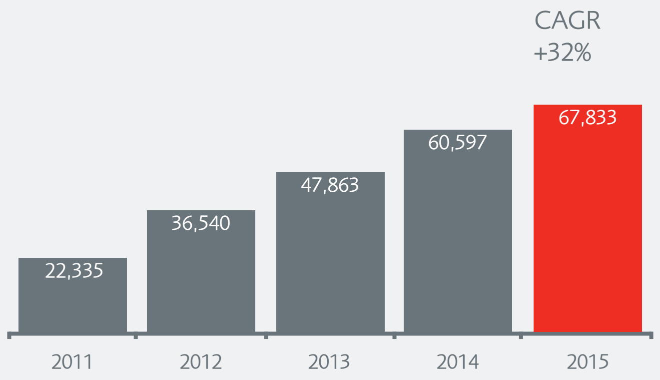
Number of agents

In the last three years, the Company has achieved major gains in expanding its agency force. From 3,244 sales agents in 2011, the agency force has grown remarkably to 14,416 in 2015, considered as the largest in the industry.



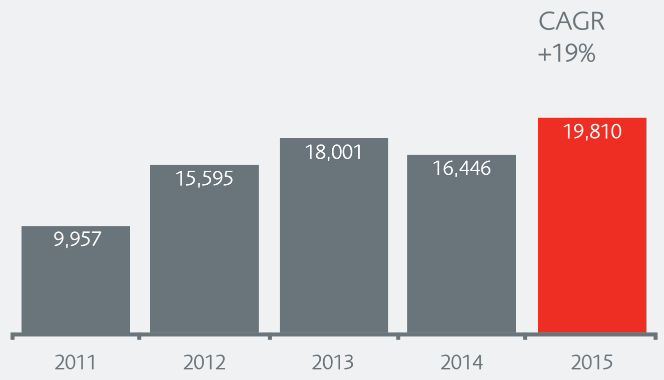
PRUlink funds in PhP'm

In late 2014, the Company introduced a new PRUlink fund product – the Cash Flow Fund. This type of fund was offered to new and existing customers as an alternative investment outlet amid the escalating volatility in the financial markets. It provides regular payouts by investing in a diversified portfolio of assets managed by Eastspring Investments (Singapore) Limited. In 2015, the Fund's success was highlighted just as single premium sales grew by 15%, while the Cash Flow Fund expanded by 738%. Overall growth in all PRUlink funds was 12% in 2015.



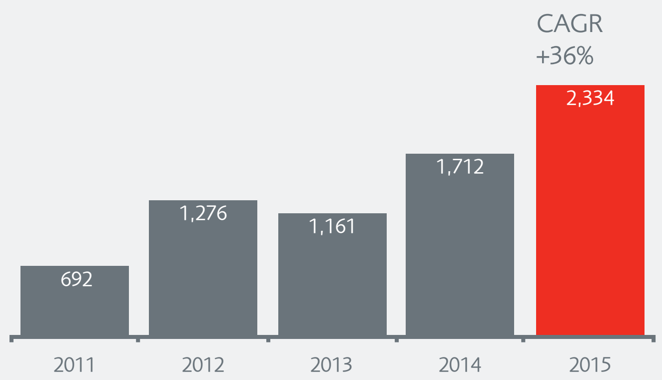
Total net premium income in PhP'm

In addition to the growth in total PRUlink funds, strong single premium sales from the Cash Flow Fund contributed to the total net premium income growth of 20%, slightly higher than the industry growth of 19% for 2015.



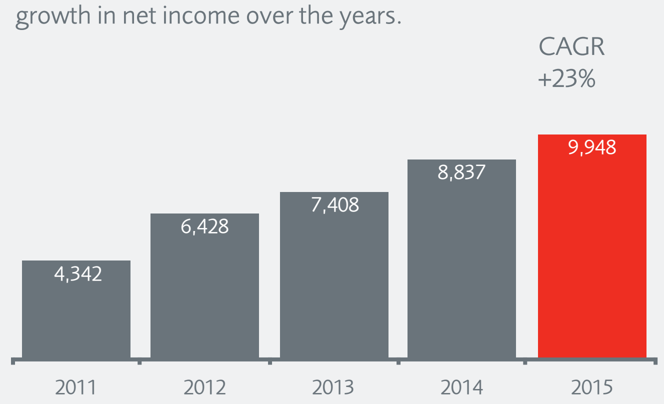
Net income excluding unrealized gains/ losses in PhP'm

The Company reports net income inclusive of unrealized gains/losses based on market valuation using Fair Value through Profit and Loss. Excluding unrealized gains/losses, net income in 2015 grew by 36% owing to retention of renewal business, rise in policy administration fees from PRUlink funds, sound underwriting guidelines, and robust expense management.



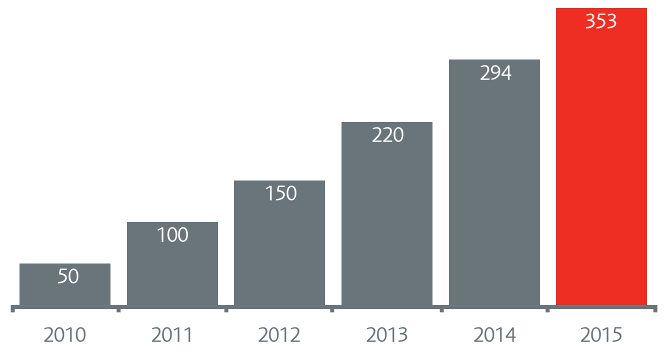
Equity in PhP'm

The Company's equity position grew by 13% in 2015. The healthy capital position is largely attributed to the consistent growth in net income over the years.



Gross cash remittance in PhP'm

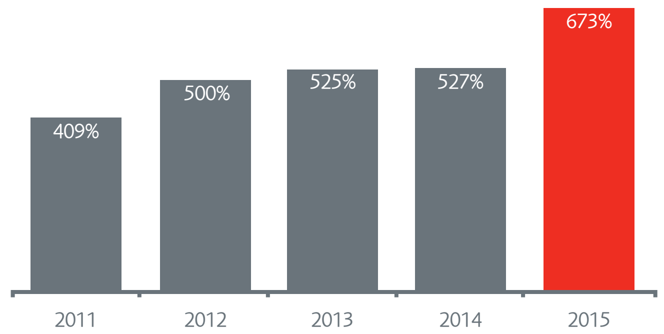
Sustained profitability has allowed the Company to return excess capital and declare cash dividends. We started to return excess capital of PhP 50 million in 2010 and declared gross cash dividends of PhP 133 million in 2013. A total of PhP 1,150 million (net of taxes) has been remitted to our shareholder, Prudential Corporation Holdings Limited (PCHL). Notably, the amount has exceeded PCHL's total investment in the Company.



RBC ratio

The Insurance Commission requires insurance companies to comply with prescribed minimum capital requirements and Risk-Based Capital (RBC) ratios to mitigate the risk of insolvency and default.

In the last five years, the Company has exceeded the minimum RBC ratio requirement of 100% by a wide margin.



An image of Security

By the end of the 19th century, Prudential had become the leading life company in the UK, and there was hardly any disaster that did not involve Prudential agents providing security to the bereft and deprived.

In 1912, Prudential paid claims for 324 passengers of the Titanic, nearly one-fifth of all the passengers in the iconic ship that sank during its maiden voyage.

Chief Office seen through the ruins of the *Daily Mirror* building, 1945.

FINANCIAL STATEMENTS

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

FINANCIAL STATEMENTS
December 31, 2015 and 2014

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226
Philippines

March 31, 2016

Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of Pru Life Insurance Corporation of U.K. ("the Company") as at and for the years ended December 31, 2015 and 2014 for the purpose of expressing an opinion as to whether these financial statements are presented fairly, in all material respects in accordance with Philippine Financial Reporting Standards (PFRSs).

We confirm that the representations we make in this letter are in accordance with the definitions set out in the Appendix to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 2, 2015 for the preparation and fair presentation of the financial statements in accordance with PFRSs.

2. Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. There have been no events subsequent to the date of the financial statements and for which PFRSs require adjustment or disclosure.

Information provided

4. We have provided you with:

   - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters. Specifically, we have made available to you all books of account and supporting documentation and all minutes of meetings of the Board of Directors, Shareholders, Audit Committee, Investment Committee, and Risk Management Committee and, when applicable, summaries of actions of meetings held after the end of the reporting period for which minutes have not been prepared;

   - additional information that you have requested from us for the purpose of the audit; and

   - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you that:

   a) There have been no instances of fraud or suspected fraud that we are aware of that affect the Company and involve:

      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements.

   b) There have been no allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

   In respect of the above, we acknowledge our responsibility for such internal control as we determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. We are not aware of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, we have disclosed to you that there have been no communications from regulatory agencies, governmental representatives, tax authority's employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.

8. There are no other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with Philippine Accounting Standard (PAS) *37 Provisions, Contingent Liabilities and Contingent Assets,* including liabilities or contingent liabilities arising from illegal or possible illegal acts.

9. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with PFRSs.

   Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in PAS 24 *Related Party Disclosures.*

10. We confirm that there are no key risk factors, assumptions and uncertainties of which we are aware that are relevant to the Company's ability to continue as a going concern.

11. We confirm that we have provided you with all information relating to the Company's exposures to risks arising from financial instruments and how those exposures arise, including a description of our objectives, policies and processes for managing the risks arising from financial instruments and the methods used to measure risks.

12. Receivables reported in the financial statements represent valid claims against debtors for services rendered or other charges arising on or before the reporting date and we assessed that there are no provisions necessary for any risk of losses that may be sustained on uncollectible receivables as of the reporting dates because all outstanding receivables are collectible.

13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. We believe that the carrying amounts of all material assets will be recoverable.

14. There are no liens or encumbrance on the Company's assets.

15. The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements.

16. We confirm that the Company's post-employment benefit plan has been properly classified and accounted in accordance with PAS 19 *Employee Benefits (Amended 2011).* There are no other plans. On the basis of the process established by us, and having made appropriate inquiries, we are satisfied that the actuarial assumptions underlying the valuation of defined benefit obligation prepared by Towers Watson, are consistent with our knowledge of the employee population profile.

    We further confirm that:

    - all significant post-employment benefits, including any arrangements that are statutory, contractual or implicit in the employer's actions; and are either funded or unfunded; have been identified and properly accounted for;

    - all plan amendments, curtailments and settlements have been identified and properly accounted for; and

    - all employee benefits for key management personnel are disclosed adequately.

17. We are responsible for the computation of current and deferred income tax and the related deferred tax assets and liabilities.

    The recognized deferred tax assets are measured at the tax rates enacted at the reporting date and represent those amounts that are probable of realization taking into account management's estimates of future taxable profit. In determining estimates of future taxable profit against which the deductible amounts can be utilized, management has considered the existence of taxable temporary differences that will reverse in the same period that deductible amounts will reverse and also has considered appropriate tax planning opportunities that the Company is more likely than not to take advantage of in order to generate future taxable profit.

18. We are responsible for the identification and consistency of presentation of items in the reconciliation of income tax expense computed at statutory tax rate to the income tax shown in profit or loss.

19. We confirm that the deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted at each reporting date.

20. We are responsible for the fair presentation of the additional supplementary information in Note 30 to the financial statements accompanying the basic financial statements that is presented for purposes of filing with the Bureau of Internal Revenue as required under Revenue Regulations 15-2010.

21. We confirm that the disclosures in respect of the supplementary information required under RR No. 15-2010 have been appropriately included in the financial statements. Furthermore, all information on taxes, duties and license fees have been disclosed as supplementary information in the notes to the financial statements.

22. We have fulfilled our responsibilities, as set out in Securities Regulation Code (SRC) Rule 68, as amended, for the preparation and fair presentation of the following additional components of the basic financial statements:

    - Reconciliation of Retained Earnings Available for Dividend Declaration; and

    - Schedule of Philippine Financial Reporting Standards.

23. All revenues are final and there are no side agreements with customers, except for condition covered by the usual and customary commercial agreement.

24. There are no formal or informal compensating balance arrangement with any of our cash accounts and also has no line of credit arrangements with any banks.

25. We have assessed all financial assets, except those measured at fair value through profit or loss, and found no objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and in case of investments in equity instruments, there has been no significant or prolonged decline in the fair value of the instrument below cost.

26. The Company has complied with the following externally imposed capital requirements:

- Networth Capitalization Requirements; and
- Risk-Based Capital (RBC) Requirements.

27. We believe the assumptions and techniques used by us are appropriate and that all fair value measurements are determined in accordance with PFRS 13 *Fair Value Measurements*.

28. We have appropriately disclosed fair values of financial assets and financial liabilities in the financial statements in accordance with PFRS 7 *Financial Instruments: Disclosure* and PFRS 13. We believe the disclosures appropriately categorize those fair value measurements in the fair value hierarchy.

We have disclosed the methods and assumptions applied in determining the fair values of each class of financial instrument.

29. We have considered which currency is the currency of the primary economic environment in which the Company operates (the "functional currency"). In making this assessment, we have used our judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Company. We have concluded that the functional currency of the Company is Philippine peso.

30. We confirm that the contracts issued by the Company are properly classified as insurance contracts and accounted in accordance with PFRS 4 *Insurance Contracts*.

31. All reinsurance transactions entered into by the Company are final and there are no side agreements with reinsurers, or other terms in effect, which allow for the modification of terms under existing reinsurance arrangements.

32. The Company has appropriately considered the significance of mortality and morbidity risk and classification of contracts that contain death or other insurance benefit features.

33. The financial statements reflect accumulated liabilities for future policy benefits that, together with expected future gross premiums and expected future investment earnings, will be sufficient to cover expected future promised benefits, settlements, and maintenance expenses under reasonable assumptions as to future experience.

34. We confirm that at the end of the reporting period, the recognized insurance liabilities are adequate, using current estimates of future cash flows of the in force insurance contracts.

35. In connection with the independent actuary's study, we provided the independent actuary with all significant and relevant information of which we are aware. We did not give or cause any instructions to be given to the independent actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the independent actuary.

36. We have complied with the requirement of the Insurance Commission to submit parallel runs of the gross premium valuation, RBC computation using RBC2-QIS template and new financial reporting framework for December 31, 2014 and June 30, 2015.

Yours truly,

Antonio G. De Rosas
President and Chief Executive Officer

Lee C. Longa
Executive Vice President and Chief Financial Officer

Appendix to the management representation letter of Pru Life Insurance Corporation of U.K.

Definitions

The following definitions assume that PFRSs are the applicable financial reporting framework. When PFRSs have not been used to prepare the financial statements, an appropriate equivalent definition from the applicable financial reporting framework should be used, if available. If the financial reporting framework does not contain a relevant definition, then the definition from the PSA or IFAC Glossary of Terms should be used.

Financial statements

PAS 1.10 states that "a complete set of financial statements comprises:

a) a statement of financial position as at the end of the period;

b) a statement of profit or loss and other comprehensive income for the period;

c) a statement of changes in equity for the period;

d) a statement of cash flows for the period;

e) notes, comprising a summary of significant accounting policies and other explanatory information;

ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and

eb) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'."

Material matters

Certain representations in this letter are described as being limited to matters that are material.

PAS 1.7 and PAS 8.5 state the following:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure (IFAC Glossary of Terms).

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorized for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related party and related party transaction

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in PAS 24 Related Party Disclosures as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of PAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control or joint control of, or significant influence over, the reporting entity; and

b) another entity that is a related party because the same government has control or joint control of or significant influence over, both the reporting entity and the other entity.

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Philippines

Report on the financial statements

We have audited the accompanying financial statements of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limted), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pru Life Insurance Corporation of U.K. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the supplementary information required under Revenue Regulations (RR) No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner

CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
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PTR No. 5320748MD
Issued January 4, 2016 at Makati City

March 31, 2016
Makati City, Metro Manila

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

		December 31	
	Note	**2015**	2014
ASSETS			
Cash and cash equivalents	*7*	**P2,605,114**	P2,092,794
Interest receivable		**125,751**	124,922
Investments	*8*	**9,616,867**	9,115,806
Premiums due from policyholders		**31,915**	86,695
Policy loans receivables - net	*9*	**457,571**	459,878
Coverage debt receivables - net	*11*	**217,047**	186,770
Reinsurance assets		**32,288**	21,958
Property and equipment - net	*12*	**487,121**	248,057
Deferred acquisition costs	*13*	**4,965,663**	4,224,534
Other assets - net	*14*	**392,594**	528,794
Total General Assets		**18,931,931**	17,090,208
Assets Held to Cover Linked Liabilities	*10*	**67,832,693**	60,597,099
		P86,764,624	P77,687,307
LIABILITIES AND EQUITY			
General Liabilities			
Legal policy reserves	*15*	**P4,914,082**	P4,829,650
Claims payable	*16*	**286,485**	254,804
Reinsurance payable	*17*	**93,356**	74,560
Deferred tax liabilities - net	*24*	**557,215**	533,905
Accounts payable, accrued expenses and other liabilities	*18*	**3,132,474**	2,560,267
Total General Liabilities		**8,983,612**	8,253,186
Equity			
Capital stock	*27*	**500,000**	500,000
Additional paid-in capital	*27*	**462,000**	462,000
Total paid-up capital		**962,000**	962,000
Contributed surplus		**50,386**	50,386
Fair value reserve	*8*	**(4,790)**	(4,605)
Retirement fund reserve		**(9,443)**	-
Retained earnings	*27*	**8,950,166**	7,829,241
Total Equity		**9,948,319**	8,837,022
Total General Liabilities and Equity		**18,931,931**	17,090,208
Technical Provisions for Linked Liabilities	*10*	**67,832,693**	60,597,099
		P86,764,624	P77,687,307

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

		Years Ended December 31	
	Note	**2015**	2014
NET PREMIUMS	*19*		
Premiums		**P20,268,664**	P16,903,570
Premiums ceded to reinsurers		**(458,850)**	(457,898)
		19,809,814	16,445,672
OTHER REVENUE			
Policy administration fees	*20*	**1,335,762**	1,086,083
Investment income (loss) - net	*21*	**(165,406)**	383,190
Others - net		**87,543**	47,086
		1,257,899	1,516,359
BENEFITS AND CLAIMS			
Costs on premiums of variable insurance	*10*	**10,604,990**	8,275,679
Gross benefits and claims	*22*	**4,397,997**	4,117,395
Reinsurer's share of gross benefits and claims	*22*	**(33,022)**	(28,699)
Gross change in legal policy reserves	*22*	**84,432**	80,245
		15,054,397	12,444,620
OPERATING EXPENSES			
Commissions, bonuses and other agents' expenses		**2,766,079**	2,279,637
Salaries, allowances and employees' benefits	*23*	**992,152**	838,148
Trainings, seminars and contests		**466,547**	376,224
Rent	*26*	**165,260**	119,259
Utilities		**155,864**	140,692
Dividends to policyholders		**107,365**	103,938
Advertising and marketing		**101,759**	102,144
Depreciation and amortization	*12*	**85,883**	69,142
Communications		**70,139**	63,262
Office supplies		**57,508**	56,030
Interest expense related to policies		**48,194**	45,764
Security and janitorial services		**44,111**	34,323
Representation and entertainment		**39,036**	37,424
Professional fees		**37,588**	25,039
Taxes and licenses		**25,748**	23,094
Insurance taxes, licenses and fees		**19,529**	(9,032)
Amortization of software development costs	*14*	**15,332**	11,907
Others		**38,611**	26,863
Deferred expenses - net	*13*	**(741,129)**	(603,677)
		4,495,576	3,740,181

Forward

		Years Ended December 31	
	Note	**2015**	2014
INCOME BEFORE INCOME TAX EXPENSE		**P1,517,740**	P1,777,230
INCOME TAX EXPENSE	*24*	**43,874**	54,274
NET INCOME		**1,473,866**	1,722,956
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss			
Net gain (loss) on fair value changes of available-for-sale financial assets	*8*	**(185)**	150
Items that will not be reclassified to profit or loss			
Net loss on remeasurement of retirement liability	*23*	**(13,490)**	-
Income tax effect		**4,047**	-
		(9,628)	150
TOTAL COMPREHENSIVE INCOME		**P1,464,238**	P1,723,106

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in thousands)

	Note	Capital Stock (Note 27)	Additional Paid-in Capital (Note 27)	Contributed Surplus	Retained Earnings (Note 27)	Fair Value Reserve (Note 8)	Retirement Fund Reserve	Total Equity
Balance at January 1, 2015		**P500,000**	**P462,000**	**P50,386**	**P7,829,241**	**(P4,605)**	**P -**	**P8,837,022**
Total comprehensive income								
Net income		-	-	-	**1,473,866**	-	-	**1,473,866**
Other comprehensive income								
Items that may be reclassified to profit or loss	*8*	-	-	-	-	**(185)**	-	**(185)**
Items that will never be reclassified to profit or loss		-	-	-	-	-	**(9,443)**	**(9,443)**
Total comprehensive income		-	-	-	**1,473,866**	**(185)**	**(9,443)**	**1,464,238**
Transaction with owner of the Company								
Dividends	*27*	-	-	-	**(352,941)**	-	-	**(352,941)**
Balance at December 31, 2015		**P500,000**	**P462,000**	**P50,386**	**P8,950,166**	**(P4,790)**	**(P9,443)**	**P9,948,319**
Balance at January 1, 2014		P500,000	P462,000	P50,386	P6,400,403	(P4,755)	P -	P7,408,034
Total comprehensive income								
Net income		-	-	-	1,722,956	-	-	1,722,956
Other comprehensive income								
Items that may be reclassified to profit or loss	*8*	-	-	-	-	150	-	150
Total comprehensive income		-	-	-	1,722,956	150	-	1,723,106
Transaction with owner of the Company								
Dividends		-	-	-	(294,118)	-	-	(294,118)
Balance at December 31, 2014		P500,000	P462,000	P50,386	P7,829,241	(P4,605)	P -	P8,837,022

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Note	Years Ended December 31 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		**P1,517,740**	P1,777,230
Adjustments for:			
Unrealized loss (gain) on valuation of investments	21	**860,241**	(10,501)
Amortization of deferred acquisition costs	13	**563,692**	464,504
Depreciation and amortization	12	**85,883**	69,142
Interest expense related to policies		**48,194**	45,764
Amortization of software development costs	14	**15,332**	11,907
Provision for impairment losses	9, 11, 14	**47,305**	45,416
Reversal of provision for impairment losses	9, 11, 14	**(28,829)**	(52,762)
Gain on disposals of property and equipment		**(3,441)**	(322)
Foreign exchange gain		**(9,315)**	(746)
Interest income	21	**(547,713)**	(534,071)
Gain on disposals of investments	8, 21	**(606,818)**	(158,064)
Operating income before working capital changes		**1,942,271**	1,657,497
Decrease (increase) in:			
Premiums due from policyholders		**54,780**	(55,183)
Policy loans receivables		**2,152**	4,905
Coverage debt receivables		**(49,659)**	(23,458)
Deferred acquisition costs		**(1,304,821)**	(1,068,181)
Reinsurance assets		**(10,330)**	(14,217)
Other assets		**183,282**	(309,107)
Increase (decrease) in:			
Legal policy reserves		**84,432**	80,245
Claims payable		**31,681**	47,069
Reinsurance payable		**18,796**	(6,759)
Accounts payable, accrued expenses and other liabilities		**594,187**	379,729
Net cash provided by operations		**1,546,771**	692,540
Interest received		**546,884**	545,319
Interest paid		**(47,413)**	(43,647)
Contributions to retirement fund		**(32,204)**	-
Income tax paid		**(20,564)**	(18,282)
Net cash provided by operating activities		**1,993,474**	1,175,930

Forward

	Note	Years Ended December 31 2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investments	8	**(P2,628,016)**	(P1,393,301)
Proceeds from disposal of investments	8	**1,873,347**	962,783
Acquisitions of property and equipment	12	**(328,190)**	(119,353)
Proceeds from disposal of property and equipment		**6,684**	506
Acquisitions of software costs	14	**(61,353)**	(23,894)
Net cash used in investing activities		**(1,137,528)**	(573,259)
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividends paid	27	**(352,941)**	(294,118)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**503,005**	308,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	**2,092,794**	1,783,495
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**9,315**	746
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**P2,605,114**	P2,092,794

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
(Amounts in thousands, except as indicated)

1. Reporting entity

Pru Life Insurance Corporation of U.K. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 17, 1996, primarily to engage in the business of life insurance. The Company started commercial operations in September 1996. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable unit-linked insurance, a life insurance product which is linked to investment funds.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited ("Prudential"). The Company's ultimate parent company is Prudential plc, an internationally-diversified organization providing life insurance and fund management services worldwide.

The Company has a Certificate of Authority No. 2016/35-R issued by the IC to transact in life insurance business until December 31, 2018.

The Company's registered address is at the 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Philippines.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The accompanying financial statements as at and for the year ended December 31, 2015 were authorized for issue by the Board of Directors on March 31, 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Financial instruments classified as fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Investments under "Assets held to cover linked liabilities"	Fair value
Retirement liability	Present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

The financial statements of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest thousands (P'000s), except when otherwise indicated.

Use of estimates and judgments

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

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

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

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Certain comparative amounts in the statements of comprehensive income have been reclassified as a result of a change in the classification of certain accounts during the current year (see Note 29).

Adoption of new or revised standards, amendments to standards and interpretations

The Company has adopted the following amendments to standards and new interpretation starting January 1, 2015. The adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2 *Share - based Payment*, PAS 16 *Property Plant and Equipment*, PAS 38 *Intangible Assets* and PAS 40 *Investment Property*. Below is the amendment to PFRSs, which may be applicable to the Company:
    - Definition of 'related party' (Amendment to PAS 24 Related Party Disclosures). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

New or revised standards, amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Company has not applied the following new or amended standards in preparing these financial statements. The Company is assessing the potential impact on its financial statements resulting from the application of the new standards.

The Company will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

Effective January 1, 2016

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

  The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Disclosure Initiative (Amendments to PAS 1 Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
    - Information should not be obscured by aggregating or by providing immaterial information.
    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
    - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- *PFRS 9 Financial Instruments (2014). PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Pending approval of local adoption of PFRS 15 Revenue from Contracts with Customers

- *PFRS 15 replaces PAS 11 Construction Contracts, PAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Insurance contracts

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Insurance and investment contracts are further classified as being with and without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer; and
- Contractually based on the following:
  - Performance of a specified pool of contracts or a specified type of contract;
  - Realized or an unrealized investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the Company, fund or other entity that issues the contract.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends to policyholders" account in profit or loss with the corresponding liability recognized under the "Dividends payable to policyholders" account in accounts payable, accrued expenses and other liabilities account in the statements of financial position.

Conventional long-term insurance contracts
These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Benefits are recognized as an expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as of each reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

Unit-linked insurance contracts
A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The investment funds supporting the linked policies are maintained in segregated accounts in conformity with Philippine laws and regulations. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration.

Management assessed that the insurance contracts have no derivative components.

Legal policy reserves
Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the amended Insurance Code of the Philippines (Insurance Code) and represent the amounts which, together with future premiums and investment income, are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Liability adequacy tests
At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in profit or loss included under "Gross change in legal policy reserves".

Reinsurance contracts held
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts above are classified as reinsurance contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The benefits to which the Company is entitled to under its reinsurance contracts held are recognized as reinsurance assets. These include short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as expense when due.

If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance receivable and recognizes the impairment loss in profit or loss.

Receivables and payables related to insurance contracts
Receivables and payables are recognized when due. These include amounts due to and from policyholders and amounts due to agents and brokers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

Financial instruments

Date of recognition. Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investment, and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

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

As at December 31, 2015 and 2014, the Company has no financial assets classified as HTM investments and financial liabilities at FVPL.

Fair value measurement
A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair value are categorized in different levels in a fair value hierarchy based on the inputs used in the valuation technique (see Note 6).

Financial assets at FVPL. This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial assets at FVPL are recorded in the statements of financial position at fair value, with changes in fair value recorded in profit or loss.

Financial assets are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or

- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or, it is clear, with little or no analysis, that it would not be bifurcated.

Held-for-trading securities are not reclassified subsequent to their initial recognition, unless they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Company has the intention and the ability to hold the financial asset in the foreseeable future or until maturity; and

- The financial asset may be reclassified out of the held-for-trading securities category only under "rare circumstances".

As at December 31, 2015 and 2014, the Company does not have any financial asset designated by management as financial instruments at FVPL. However, the Company's held-for-trading investments portfolio amounted to PhP 9.61 billion and PhP 9.11 billion as at December 31, 2015 and 2014, respectively (see Note 8).

As at December 31, 2015 and 2014, the Company's held-for-trading securities include government, quasi-government, corporate debt, and equity securities.

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

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as part of "Others - net" in profit or loss.

As at December 31, 2015 and 2014, the Company's cash and cash equivalents, premiums due from policyholders, policy loans receivables, coverage debt receivables, interest receivable, reinsurance assets, and other assets such as receivable from unit linked fund, advances to employees and agents, and due from affiliates are classified under this category.

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

AFS financial assets. AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss and foreign currency differences on AFS equity securities, are recognized in other comprehensive income as "Fair value reserve" and are presented within equity. The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2015 and 2014, the Company's AFS financial assets amounted to PhP 7.44 million and PhP 7.62 million, respectively, and primarily composed of equity securities (see Note 8).

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of "Interest expense related to policies" in profit or loss.

This category includes the Company's claims payable, reinsurance payable, and accounts payable, accrued expenses and other liabilities such as dividends payable to policyholders, accrued expenses, due to unit-linked funds, due to related parties, agent's commission payable, provident fund payable and other liabilities (excluding liabilities to government agencies).

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

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

Loans and receivables. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original effective interest rate. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

AFS financial assets carried at fair value. In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Offsetting of financial instruments

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

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

Derecognition of financial assets and liabilities

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

- The right to receive cash flows from the asset has expired;

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

- The Company has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation, amortization, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense in the period in which they are incurred.

Items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Leasehold improvements are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Estimated useful lives are as follows:

	Number of years
Computer equipment	3 - 5
Furniture, fixtures and equipment	5
Transportation equipment	5
Condominium unit	25
Leasehold improvements	3 - 5 or term of lease, whichever is shorter

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

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

Office improvement in progress relates to the progress billings of unfinished projects. Such projects include renovations, various installations and system upgrades. When a certain project is finished, the account is credited and capitalized to the appropriate asset account.

No depreciation is recognized for office improvement in progress account because it is not yet available for use by the Company.

Software development costs

Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset. All other costs of developing and maintaining computer software are recognized as expense when incurred. Software development costs is recognized under "Other assets" (see Note 14).

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use, not to exceed five years.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets such as property and equipment may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount.

An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Deferred acquisition costs

Direct and indirect costs incurred to sell, underwrite, and initiate new insurance contracts are deferred to the extent that these costs are recoverable out of profit margins of future premiums from these new insurance contracts.

Subsequent to initial recognition, deferred acquisition costs are amortized on a straight-line basis over the period over which significant amount of profit margins from future premiums are expected to be recoverable. Changes in the pattern of future economic benefits for the deferred acquisition costs are accounted for by changing the amortization period and are treated as change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period.

Deferred acquisition costs are derecognized when the related contracts are either pre-terminated or have matured before the end of amortization period.

Equity

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

Additional Paid-in Capital (APIC)
APIC pertains to the amount that the Company received in excess of the par value of capital stock.

Contributed surplus
Contributed surplus represents additional contribution of shareholders as provided under the Insurance Code.

Fair value reserve
Fair value reserve pertains to the cumulative amount of gain and loss due to the revaluation of AFS financial assets.

Retirement fund reserve
This pertains to the cumulative amount of remeasurement of the retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the plan assets.

Retained earnings
The amount included in retained earnings includes profit attributable to the equity holders of the Company and reduced by dividends.

Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Revenue recognition

Premiums
Premiums arising from insurance contracts are recognized as income on the effective date of the insurance policies for the first year premiums. For the succeeding premiums, gross earned recurring premiums on life insurance contracts are recognized as revenue when these become due from the policyholders.

Premiums ceded to reinsurers on traditional and variable contracts are recognized as an expense when the policy becomes effective. This is presented net of experience refund received from reinsurers.

Investment income (Loss)
Investment income (loss) consists of fair value changes of financial assets at FVPL, interest income from all interest-bearing investments and gain or loss on disposal of investments. Investment income, which is net of investment management fees, is presented net of final tax.

Interest income for all interest-bearing financial instruments, including financial assets measured at FVPL, is recognized in profit or loss using the effective interest method.

Policy administration fees
Policy administration fees are recognized as revenue in profit or loss when these become due from the policyholder. Receivable portion of policy administration fees form part of receivable from unit linked fund under "Other assets" account in the statements of financial position.

Benefits, claims and expenses recognition

Benefits and claims
Claims consist of benefits and claims paid to policyholders, which include, among others, excess gross benefit claims for unit-linked insurance contract, and movement of incurred but not reported (IBNR) claims and movement of legal policy reserves. Death claims, surrenders and withdrawals are recorded on the basis of notifications received. Maturities are recorded when due. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years.

Operating expenses
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Employee benefits

Retirement benefits
The Company maintains a defined contribution (DC) plan with minimum defined benefit (DB) guarantee that covers all regular full time employees. Under its retirement plan, the

Company pays fixed contributions based on the employees' monthly salaries, however, the retirement plan also provides for its qualified employees a DB minimum guarantee which is equivalent to a certain percentage of the monthly salary payable to an employee with the required credited years of service based on the provisions of the Company's retirement plan.

Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC Plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Deferred tax assets and liabilities are measured at the tax rate that is 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 as at the reporting date.

Foreign currency transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the closing exchange rates prevailing at reporting date; income and expenses are translated using the average rate for the year.

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingencies

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

Events after the reporting date

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

4. Critical accounting judgments and estimates

The Company makes judgment and key estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) Impairment of financial assets

Investments at fair value
The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2015 and 2014, the Company has not recognized any impairment loss on its investments.

Receivables
The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2015 and 2014, the Company has recognized impairment loss amounted to PhP 47.31 million and PhP 45.42 million, respectively.

(b) Classifying financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Company classifies 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 the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates

(a) Liabilities arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each individual policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to PhP 49.62 million and PhP 48.13 million as at December 31, 2015 and 2014, respectively (see Note 16).

(b) Legal policy reserves

The Company estimates the amount of its liability to policyholders in two stages. At inception of the contract, the Company determines assumptions in relation to mortality, morbidity, persistency, investment returns and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commission plus other incentives. Certain profit targets are also set at this stage. These assumptions are used in calculating liabilities during the life of the contracts. A margin for risk and uncertainty is added to these assumptions. In order to minimize risk, the Company ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4, Insurance Contracts.

The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2015 and 2014 computed under the requirements of PFRS 4, amounted to cash inflows of PhP 5.20 billion and PhP 2.79 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounted to PhP 4.91 billion and PhP 4.83 billion, respectively (see Note 15), as at December 31, 2015 and 2014 is adequate using best estimate assumptions.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at FVPL and AFS financial assets) is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2015 and 2014, the Company's financial instruments carried at fair value are classified as Level 1 in the fair value hierarchy.

(d) Estimated useful lives of property and equipment and software development cost

The Company estimates useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment, and software development cost.

As at December 31, 2015 and 2014, the carrying amounts of property and equipment and software development cost amounted to PhP 569.83 million and PhP 284.74 million, respectively (see Notes 12 and 14).

(e) Amortization period of deferred acquisition costs

The amortization period of deferred acquisition costs depends on the period over which the acquisition costs will be recovered through the future profits of the insurance contracts. The recoverability of the deferred acquisition costs are reviewed annually to ensure that the period of amortization is consistent with the profit pattern of the products.

As at December 31, 2015 and 2014, the carrying amount of deferred acquisition costs amounted to PhP 4.97 billion and PhP 4.22 billion, respectively (see Note 13).

(f) Impairment of financial assets

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the receivables when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at December 31, 2015, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to PhP 723.39 million and PhP 687.06 million, respectively. Provisions for impairment losses amounted to PhP 47.31 million and PhP 45.42 million in 2015 and 2014, respectively (see Notes 9, 11 and 14).

(g) Retirement and other employee benefits

The determination of DB obligation relating to minimum guarantee and other employee benefit is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, mortality rates and future salary increase rate. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as of the statements of financial position date. As at December 31, 2015 and 2014, the Company's net retirement liability amounted to PhP 48.92 million and PhP 31.74 million, respectively (see Note 23).

(h) Realizability of deferred tax assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Any deferred tax asset will be re-measured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2015 and 2014, the Company recognized deferred tax assets amounted to PhP 932.49 million and PhP 733.46 million, respectively. However, unrecognized deferred tax assets from NOLCO amounted to PhP 160.37 million and PhP 49 million as at December 31, 2015 and 2014, respectively (see Note 24).

5. Capital, insurance and financial risks management objectives and policies

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established a risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

The risk management policies define the Company's identification of risk and its interpretation, limit structure ensuring the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals, and specify reporting requirements.

Regulatory framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable level of risks.

The operations of the Company are subject to regulatory requirements of the IC. The IC does not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions, fixed capitalization requirements, and Risk-Based Capital requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Capital management

The Company's capital includes capital stock, additional paid-in capital, contributed surplus and retained earnings.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is always higher than the minimum capital requirement set by the IC and the amount computed under the RBC model.

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

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

Networth requirements
Under Section 194 of the Insurance Code, insurance company doing business in the Philippines shall have a networth of PhP 250 million by June 30, 2013. Furthermore, said company must have an additional PhP 300 million in networth by December 31, 2016; an additional PhP 350 million in networth by December 31, 2019; and an additional PhP 400 million in networth by December 31, 2022.

As at December 31, 2015 and 2014, the Company has complied with the minimum networth requirements.

Risk-Based Capital requirements
IC Memorandum Circular (IMC) No. 6-2006 provides for the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investments and insurance risks. Every life insurance company is required annually to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as networth divided by the RBC requirement. Networth shall consist of the total paid-up capital, contributed surplus, retained earnings and revaluation of assets as may be approved by the Commissioner of IC.

The following table shows the RBC ratio of the Company as at December 31, 2015 and 2014.

	2015	2014
Networth	**P4,232,605**	P3,215,911
RBC requirement	**629,364**	610,366
RBC ratio	**673%**	527%

The figures above are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to admitted and non-admitted assets as defined under the same code. As at December 31, 2015 and 2014, the Company has complied with the minimum RBC ratio of 100%.

The estimated non-admitted assets as defined in the Insurance Code are included in the statements of financial position. These assets, which are subject to final determination by the IC, are as follows:

	2015	2014
Deferred acquisition cost	**P4,965,663**	P4,224,534
Unrealized fair value gains - net	**494,094**	1,306,120
Property and equipment - net	**377,596**	203,760
Investments	**-**	35,563
Other assets	**225,574**	908,495
	P6,062,927	P6,678,472

Insurance risk

The Company issues contracts that transfer insurance risk. This section summarizes the risks and the way the Company manages them.

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

The main risks that the Company is exposed to are as follows:

- ***Mortality risk*** - risk of loss due to policyholder death experience being different from expected.
- ***Morbidity risk*** - risk of loss due to policyholder health and disability experience being different from expected.
- ***Investment return risk*** - risk of loss from actual return being different from expected.
- ***Expense risk*** - risk of loss from expense experience being different from expected.
- ***Lapse risk*** - risk of loss due to policyholder experiences (lapses and surrenders) being different from expected.

The Company manages these risks through its underwriting strategy and reinsurance agreements. The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. The retention limit of the Company varies per product type.

For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Concentration of insurance risk
The table below sets out the concentration of life insurance contract by type of contract (in thousands):

	2015	2014
Whole and term life	**P3,491,019**	P3,381,337
Endowment	**1,072,401**	1,138,017
Group and accident & health	**13,815**	28,523
Personal accident	**11,096**	10,992
Riders and others products	**325,751**	270,781
	P4,914,082	P4,829,650

Classification by attained age (based on 2015 and 2014 data of in-force policies)
The table below presents the concentration of risk by attained age as at December 31, 2015 and 2014. For individual insurance, wherein the Company has no reinsurance, exposure is concentrated on age brackets 40-44 to 55-59 and those below 20 in 2015 and 2014.

	2015 Individual		2014 Individual	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	**P507,102**	**10.35%**	P586,503	12.22%
20 - 24	**125,986**	**2.57%**	118,922	2.48%
25 - 29	**163,629**	**3.34%**	154,554	3.22%
30 - 34	**196,957**	**4.02%**	198,935	4.14%
35 - 39	**371,658**	**7.58%**	410,358	8.55%
40 - 44	**597,305**	**12.19%**	604,304	12.59%
45 - 49	**660,351**	**13.48%**	645,603	13.45%
50 - 54	**749,443**	**15.29%**	736,424	15.34%
55 - 59	**658,425**	**13.44%**	583,938	12.16%
60 - 64	**436,594**	**8.91%**	391,001	8.14%
65 - 69	**272,352**	**5.56%**	227,860	4.75%
70 - 74	**100,744**	**2.06%**	94,085	1.96%
75 - 79	**31,214**	**0.63%**	26,918	0.56%
80 +	**28,476**	**0.58%**	21,390	0.45%
Total	**P4,900,236**	**100.00%**	P4,800,795	100.00%

For group insurance, exposure is concentrated on age bracket 35-39 and 50-54 in 2015 and 35-39 to 55-59 in 2014.

	2015 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	**P6**	**0.04%**	**P6**	**0.05%**
25 - 29	**97**	**0.70%**	**96**	**0.87%**
30 - 34	**340**	**2.46%**	**337**	**3.04%**
35 - 39	**8,839**	**63.84%**	**6,078**	**54.92%**
40 - 44	**704**	**5.09%**	**698**	**6.31%**
45 - 49	**935**	**6.75%**	**928**	**8.38%**
50 - 54	**1,446**	**10.44%**	**1,446**	**13.06%**
55 - 59	**972**	**7.02%**	**972**	**8.78%**
60 +	**507**	**3.66%**	**507**	**4.59%**
Total	**P13,846**	**100.00%**	**P11,068**	**100.00%**

	2014 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P42	0.15%	P42	0.16%
25 - 29	704	2.44%	692	2.71%
30 - 34	1,579	5.47%	1,532	6.01%
35 - 39	9,240	32.02%	6,081	23.85%
40 - 44	3,132	10.85%	3,059	12.00%
45 - 49	3,738	12.95%	3,680	14.43%
50 - 54	4,806	16.66%	4,801	18.83%
55 - 59	3,333	11.55%	3,326	13.05%
60 +	2,281	7.91%	2,281	8.95%
Total	P28,855	100.00%	P25,494	100.00%

Key assumptions
The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) Mortality and morbidity assumptions. Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate of accident or sickness, and recovery there from, for a defined group of people. For the purpose of liability valuation, rates are based on standard tables, as required by the Insurance Code.

(b) Valuation interest rates refer to the rates used in determining the value of life insurance liabilities. The value of life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expense directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows.

Sensitivities
The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2015	2014
	Changes in assumptions/ variables	**Impact on income before income tax and equity**	Impact on income before income tax and equity
		(Amounts in millions)	
Mortality and morbidity	+5%	**P84.76**	P80.04
	-5%	**(76.39)**	(77.71)
Valuation interest rate	+ 100 basis points	**511.08**	514.30
	- 100 basis points	**(652.98)**	(659.43)

The method used for deriving sensitivity information and significant assumptions did not change from previous period.

Investment risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exist a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management's focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Manager who manages the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

For unit-linked contracts, the Company does not retain the price, currency, credit, or interest rate risk for these contracts as contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance.

There has been no change to the Company's exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial risk

The Company has significant exposure to the following financial risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

There has been no change to the Company's exposure to financial risks (i.e. credit risk, liquidity risk and market risks) or the manner in which it manages and measures the risks since prior financial year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and cash equivalents, reinsurance assets, investments and loans granted to policyholders. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's concentration of credit risk arises from its investments in government securities since the said investments amounted to PhP 9.15 billion (10.43%) and PhP 8.60 billion (10.97%) of its total assets as at December 31, 2015 and 2014, respectively (see Note 8).

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2015 and 2014 by classifying assets according to the Company's credit grading of counterparties.

2015

	Neither Past Due nor Impaired				
	Investment High-grade	**Non-investment Grade - Satisfactory**	**Total Financial Assets Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Total**
Cash in bank and cash equivalents	**P2,604,480**	**P -**	**P2,604,480**	**P -**	**P2,604,480**
Interest receivable	**125,751**	**-**	**125,751**	**-**	**125,751**
Coverage debt receivable	**-**	**217,047**	**217,047**	**111,868**	**328,915**
Investments in debt securities	**9,609,428**	**-**	**9,609,428**	**-**	**9,609,428**
Premiums due from policyholders	**-**	**31,915**	**31,915**	**-**	**31,915**
Policy loans receivable	**-**	**457,571**	**457,571**	**8,146**	**465,717**
Reinsurance assets	**-**	**32,288**	**32,288**	**-**	**32,288**
Other assets (excluding withholding tax receivables and prepayments)	**-**	**133,340**	**133,340**	**2,788**	**136,128**
	P12,339,659	**P872,161**	**P13,211,820**	**P122,802**	**P13,334,622**

2014

	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not Impaired	Total
Cash in bank and cash equivalents	P2,092,184	P -	P2,092,184	P -	P2,092,184
Interest receivable	124,922	-	124,922	-	124,922
Coverage debt receivable	-	186,770	186,770	92,486	279,256
Investments in debt securities	9,077,902	-	9,077,902	-	9,077,902
Premiums due from policyholders	-	86,695	86,695	-	86,695
Policy loans receivable	-	459,878	459,878	7,991	467,869
Reinsurance assets	-	21,958	21,958	-	21,958
Other assets (excluding withholding tax receivables and prepayments)	-	356,828	356,828	3,849	360,677
	P11,295,008	P1,112,129	P12,407,137	P104,326	P12,511,463

The Company has no past due but not impaired financial assets as at December 31, 2015 and 2014.

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

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

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

Past Due and Impaired - This pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

In compliance with the Insurance Code, the Company extends loans to its policyholders only up to the cash surrender value of their policy, pursuant to the provisions of the policy contract.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit ratings of the brokers to further mitigate this risk.

A substantial portion of the Company's total investments, including cash in bank, are held by Standard Chartered Bank, a reputable financial institution with high credit rating, under a custodianship agreement.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To effectively manage liquidity risk, the Company ensures that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary costs or risking damage to the Company's reputation. Further, the Company's policy is to maintain sufficient liquidity to meet normal operating requirements.

The tables below summarize the maturity profile of the financial liabilities of the Company based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2015 and 2014:

2015

	Carrying amount	**Contractual cash flow**
Technical provision for linked liabilities	**P67,832,693**	**P67,832,693**
Claims payable	**286,485**	**286,485**
Reinsurance payable	**93,356**	**93,356**
Accounts payable, accrued expenses and other liabilities*	**2,766,011**	**2,766,011**
	P70,978,545	**P70,978,545**

**Excluding liabilities to government agencies.*

2014

	Carrying amount	Contractual cash flow
Technical provision for linked liabilities	P60,597,099	P60,597,099
Claims payable	254,804	254,804
Reinsurance payable	74,560	74,560
Accounts payable, accrued expenses and other liabilities*	2,285,967	2,285,967
	P63,212,430	P63,212,430

**Excluding liabilities to government agencies.*

(c) Market risk

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and equity price risk.

The Company's market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Company's overall market positions are monitored, at least, on a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Company investment portfolio at the reporting date are disclosed in Note 8 to the financial statements.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the fair values or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

The Company's main exposure to fluctuations in foreign currency exchange rates arise through the following assets denominated in US dollar:

	2015	2014
Short-term time deposits	**$3,653**	$3,554
Investments	**2,882**	953
	$6,535	$4,507
Foreign exchange rate to the Philippine peso used*	**47.17**	44.62
	P308,256	P201,102

**Exchange rate used is based on BSP foreign exchange rate as at December 29, 2015 and 2014.*

A 3% (2014: 4%) strengthening of Philippine peso against the US dollar as at December 31, 2015, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in US dollar and increased profit before tax and equity by P9.25 million (2014: PhP 8.04 million). A 3% (2014: 4%) weakening of the US dollar in relation to the Philippine peso, with all other variables held constant, would have an equal but opposite effect on the Company's profit before tax and equity.

In 2015 and 2014, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in US dollar.

Interest rate risk
There are two types of interest rate risk:

- ***Fair value interest rate risk*** - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- ***Cash flow interest rate risk*** - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Company's investments is composed mainly of interest-bearing debt instruments carried at fair value. As a result, the Company is subject to exposure to fair value interest rate risk.

The Company does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Fair value interest rate risk is mitigated by the Company's Fund Manager by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Company are invested in short-term time deposits with original terms of three months or less.

The analysis below details the impact of changes in market interest rate (stated in basis points or bps) to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency	Changes in variables	2015		2014	
		+50 bps	**-50 bps**	+50 bps	-50 bps
Philippine peso		**(P375,740)**	**P400,273**	(P348,056)	P372,836
US dollar		**(7,383)**	**8,032**	(1,391)	1,523
Fair value sensitivity		**(P383,123)**	**P408,305**	(P349,447)	P374,359

In 2015 and 2014, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

Equity price risk
Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company's equity price risk exposure relates to investments in equity securities with carrying balances of PhP 7.44 million and PhP 37.90 million (see Note 8) as at December 31, 2015 and 2014, respectively. The value of these equity securities will fluctuate with changes in market conditions.

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on income before income tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2015		2014	
Market indices	Changes in variables	**Impact on income before income tax increase (decrease)**	**Impact on equity increase (decrease)**	Impact on income before income tax increase (decrease)	Impact on equity increase (decrease)
PSE index	+7%	**P -**	**P521**	P2,120	P2,653
PSE index	-7%	**-**	**(521)**	(2,120)	(2,653)

In 2015 and 2014, the Company determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Company holds as of the reporting date.

6. Fair value measurements and disclosures

The fair value of the following financial assets and financial liabilities approximate their carrying amounts at the end of each accounting period due to their short term nature:

- Cash and cash equivalents;
- Interest receivables;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Claims payable;
- Reinsurance payable; and
- Accounts payable, accrued expenses and other liabilities except for liabilities payable to government agencies, premium suspense account, premium deposit fund and retirement liability.

The recurring fair values of financial assets at FVPL, assets held to cover linked liabilities, technical provisions for linked liabilities and AFS financial assets are determined by reference to quoted market prices, at the close of business on the reporting date.

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 1	2015
Financial assets	
Financial assets at FVPL	**P9,609,428**
AFS financial assets	**7,439**
Assets held to cover linked liabilities	**67,309,929**
Financial liabilities	
Technical provisions for linked liabilities	**(67,832,693)**

Level 1	2014
Financial assets	
Financial assets at FVPL	**P9,108,182**
AFS financial assets	**7,624**
Assets held to cover linked liabilities	**60,215,190**
Financial liabilities	
Technical provisions for linked liabilities	**(60,597,099)**

The Company has no financial instruments categorized under Level 2 and 3. Also, there has been no transfer between levels in 2015 and 2014.

7. Cash and cash equivalents

	2015	2014
Cash on hand and in banks	**P1,063,156**	P715,553
Short-term placements	**1,541,958**	1,377,241
	P2,605,114	P2,092,794

Short-term placements are time deposits with various financial institutions with maturities ranging from three to fourteen days and interest from 0.01% to 1.00% and 0.01% to 0.55% per annum in 2015 and 2014, respectively.

Interest income recognized in profit or loss which is presented under "Investment income" amounted to PhP 13.84 million and PhP 6.06 million in 2015 and 2014, respectively.

8. Investments

Reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below.

For the year December 31, 2015

	Available-for-sale financial assets	At fair value through profit or loss	Total investments
Cost at January 1, 2015	P12,229	P7,801,782	P7,814,011
Unrealized (losses) gains at January 1, 2015	(4,605)	1,306,400	1,301,795
Fair value at January 1, 2015	7,624	9,108,182	9,115,806
Fair value gain recognized in:			
Profit or loss	-	(860,241)	(860,241)
Other comprehensive income	(185)	-	(185)
Purchases	-	2,628,016	2,628,016
Proceeds from disposal of financial assets	-	(1,873,347)	(1,873,347)
Gain on disposal of financial assets	-	606,818	606,818
Fair value at December 31, 2015	P7,439	P9,609,428	P9,616,867
Cost at December 31, 2015	P12,229	P9,163,269	P9,175,498
Unrealized gains (losses) at December 31, 2015	(P4,790)	P446,159	P441,369

For the year December 31, 2014

	Available-for-sale financial assets	At fair value through profit or loss	Total investments
Cost at January 1, 2014	P12,229	P7,213,200	P7,225,429
Unrealized (losses) gains at January 1, 2014	(4,755)	1,295,899	1,291,144
Fair value at January 1, 2014	7,474	8,509,099	8,516,573
Fair value gain recognized in:			
Profit or loss	-	10,501	10,501
Other comprehensive income	150	-	150
Purchases	-	1,393,301	1,393,301
Proceeds from disposal of financial assets	-	(962,783)	(962,783)
Gain on disposal of financial assets	-	158,064	158,064
Fair value at December 31, 2014	P7,624	P9,108,182	P9,115,806
Cost at December 31, 2014	P12,229	P7,801,782	P7,814,011
Unrealized gains (losses) at December 31, 2014	(P4,605)	P1,306,400	P1,301,795

The Company's investments consist of the following:

	2015	2014
Government bonds	P9,145,174	P8,599,785
Quasi government bonds	327,330	338,852
Corporate debt securities	136,924	139,265
Equity securities	7,439	37,904
	P9,616,867	P9,115,806

Interest rates range from 2.13% to 15.00% in 2015 and 2014 (see Note 21 for the details of income from investments).

The rollforward analysis of the fair value reserves on AFS financial assets is as follows:

	2015	2014
Balance at beginning of year	(P4,605)	(P4,755)
Fair value gain (loss)	(185)	150
Balance at end of year	(P4,790)	(P4,605)

9. Policy loans receivables

	2015	2014
Policy loans receivables	P465,717	P467,869
Allowance for impairment losses	(8,146)	(7,991)
	P457,571	P459,878

Policy loans receivables account pertains to the outstanding balances of loans granted to policyholders, fully secured by the cash surrender value of the underlying insurance policy at the time of issuance. These may be in the form of a cash loan applied by the policyholder or automatic policy loan to cover premiums due on the policy.

The Company provides an allowance for policy loans and the related capitalized interest periodically to reflect the estimated realizable value of the receivables as of each reporting date.

Provision for impairment losses on policy loans receivables amounting to PhP 0.16 million and PhP 0.10 million in 2015 and 2014, respectively, were recognized in profit of loss as part of "Others".

The rollforward analyses of the allowance for impairment losses in policy loans receivables are as follows:

	2015	2014
Balance at beginning of year	P7,991	P13,160
Provision for impairment losses	155	100
Reversals taken up to profit or loss	-	(5,269)
Balance at end of year	P8,146	P7,991

10. Assets held to cover linked liabilities

The IC approved on September 11, 2002 the Company's license to sell variable unit-linked insurance policies, a life insurance product that is linked to investment funds (see Note 1). The premium of this product is divided into two parts: the insurance portion and the investment portion. The investment portion of the premium is recognized as "Costs on premiums of variable insurance" in the profit or loss and invested in a separately identifiable fund. The fund is valued regularly and is divided into units which represent the unit-linked policyholder's share in the fund. The value of the fund divided by the number of units is called the unit price. An amount equal to the "Assets held to cover linked liabilities" (representing the managed funds) is shown under the "Technical provisions for linked liabilities" account in the statements of financial position, a representation that the funds belong to the unit-linked policyholders.

Linked Funds are lines of business in which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the linked fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from linked funds, which is included in "Policy administration fees" in profit or loss.

Separate financial statements are provided for the linked funds. Linked fund assets are carried at recurring fair value. Fair values are determined using the valuation method discussed in Note 6.

Assets held to cover linked liabilities are composed of:

	2015	2014
Cash and cash equivalents	P1,469,712	P1,900,006
Interest receivables	375,588	369,164
Receivable from life fund	368,480	214,977
Investments in treasury notes and other funds	97,738,165	87,697,904
Other assets	176,854	112,597
Liability to other funds	(31,897,948)	(29,382,720)
Accrued expense	(55,529)	(40,820)
Trade payable	(342,629)	(274,009)
Net assets	P67,832,693	P60,597,099

Investments in treasury notes and other funds are composed of:

	2015	2014
Investments in treasury notes	P33,610,858	P32,614,044
Investments in shares of stocks	32,254,059	25,909,129
Investment in other funds:		
Investment in bond fund	16,082,036	17,888,051
Investment in equity fund	15,791,212	11,286,680
Total investments	P97,738,165	P87,697,904

Total premiums and costs from the unit-linked product as at December 31 are as follows:

	Note	2015	2014
Link premiums	19	P19,417,830	P15,933,849
Costs on premiums of variable insurance		(10,604,990)	(8,275,679)
Net link premiums		P8,812,840	P7,658,170

11. Coverage debt receivables

	2015	2014
Coverage debt receivables	**P328,915**	P279,256
Allowance for impairment losses	**(111,868)**	(92,486)
	P217,047	P186,770

Coverage debt receivables pertain to policy administration fees covering mortality risk, taxes and administrative fees charged to the investment account of unit-linked policyholders.

These receivables normally arise from policy administration fees due from new unit-linked policyholders who have not accumulated enough investments to cover these fees.

The Company provides an allowance for uncollectible coverage debt charges for lapsed and terminated policies.

Provision for impairment losses on coverage debt receivables amounting to PhP 46.61 million and PhP 41.47 million in 2015 and 2014, respectively, were recognized in profit or loss.

The rollforward analyses of the allowance for impairment losses on coverage debt receivables are as follows:

	2015	2014
Balance at beginning of year	**P92,486**	P98,512
Provision for impairment losses	**46,610**	41,467
Reversals taken up to profit or loss	**(27,228)**	(47,493)
Balance at end of year	**P111,868**	P92,486

12. Property and equipment

The movements in this account are as follows:

2015

	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P104,091	P94,446	P71,340	P10,027	P302,253	P12,475	P594,632
Additions	94,604	15,259	17,550	-	80,915	119,862	328,190
Disposals	(5,852)	(2,212)	(15,170)	-	(9,175)	-	(32,409)
Reclassifications	-	2,896	-	-	86,047	(88,943)	-
Ending balance	192,843	110,389	73,720	10,027	460,040	43,394	890,413
Accumulated Depreciation and Amortization							
Beginning balance	77,130	65,875	34,345	5,165	164,060	-	346,575
Depreciation and amortization	16,264	7,860	13,574	414	47,771	-	85,883
Disposals	(5,627)	(1,894)	(13,182)	-	(8,463)	-	(29,166)
Ending balance	87,767	71,841	34,737	5,579	203,368	-	403,292
Carrying Amount							
Beginning balance	P26,961	P28,571	P36,995	P4,862	P138,193	P12,475	P248,057
Carrying Amount							
Ending balance	P105,076	P38,548	P38,983	P4,448	P256,672	P43,394	P487,121

2014

	Computer equipment	Furniture, fixtures and equipment	Transportation equipment	Condominium unit	Leasehold improvements	Office improvement in progress	Total
Gross Carrying Amount							
Beginning balance	P97,694	P72,382	P56,635	P10,027	P214,094	P35,941	P486,773
Additions	13,107	22,866	16,042	-	47,588	19,750	119,353
Disposals	(6,710)	(802)	(1,337)	-	(2,645)	-	(11,494)
Reclassifications	-	-	-	-	43,216	(43,216)	-
Ending balance	104,091	94,446	71,340	10,027	302,253	12,475	594,632
Accumulated Depreciation and Amortization							
Beginning balance	67,686	58,387	25,395	4,755	132,520	-	288,743
Depreciation and amortization	16,154	8,208	10,287	410	34,083	-	69,142
Disposals	(6,710)	(720)	(1,337)	-	(2,543)	-	(11,310)
Ending balance	77,130	65,875	34,345	5,165	164,060	-	346,575
Carrying Amount							
Beginning balance	P30,008	P13,995	P31,240	P5,272	P81,574	P35,941	P198,030
Carrying Amount							
Ending balance	P26,961	P28,571	P36,995	P4,862	P138,193	P12,475	P248,057

13. Deferred acquisition costs

	2015	2014
Beginning balance	**P4,224,534**	P3,620,857
Movements during the year:		
Deferred expenses	**1,304,821**	1,068,181
Amortization of deferred acquisition costs	**(563,692)**	(464,504)
	741,129	603,677
Ending balance	**P4,965,663**	P4,224,534

14. Other assets

	Note	2015	2014
Deposits		**P87,151**	P64,709
Software development costs - net		**82,706**	36,685
Receivable from unit linked fund		**78,684**	308,178
Advances to employees and agents		**51,558**	44,265
Prepayments		**46,440**	63,469
Due from affiliates	*25*	**2,384**	1,696
Others		**46,459**	13,641
		395,382	532,643
Allowance for impairment losses on advances to employees and agents		**2,788**	3,849
		P392,594	P528,794

Deposits consist of security lease deposits that can be applied at the end of the lease term.

Software development costs consist of amounts capitalized for the development and launching of the software for the Company's two new products – the unit-linked regular premium and the unit-linked single premium. It also includes costs for the development of the agents' compensation system and major enhancements of policy administration system used by the Company. These assets are amortized on a straight-line basis over five (5) years.

Receivable from unit-linked funds pertains to the amount to be received by the Company from PRUlink funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Advances to employees and agents are collected thru payroll deductions or thru expense liquidation.

Prepayments consist mainly of prepaid rent.

Others consist mainly of corporate give away inventories, gifts, income tax withheld, and prudential guarantees. The rollforward analyses for allowance for impairment losses on advances to employees and agents are as follows:

	2015	2014
Balance at beginning of year	P3,849	P -
Provision for impairment losses	540	3,849
Reversals taken up to profit or loss	(1,601)	-
Balance at end of year	P2,788	P3,849

In 2015, the Company collected an advances to employees and agents amounted PhP 1.60 million that have been previously written off.

The movements of software development costs in 2015 and 2014 are as follows:

	2015	2014
Gross carrying amount		
Beginning balance	P262,708	P238,814
Acquisitions	61,353	23,894
Write-off	(9,397)	-
Ending balance	314,664	262,708
Accumulated amortization		
Beginning balance	226,023	214,116
Amortization	15,332	11,907
Write-off	(9,397)	-
Ending balance	231,958	226,023
Net carrying amount		
Beginning balance	P36,685	P24,698
Ending balance	P82,706	P36,685

15. Legal policy reserves

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	2015	2014
Beginning balance	P4,829,650	P4,749,405
Net premiums written	228,405	208,084
Liabilities released for payments on death, surrenders and other terminations	(417,394)	(346,757)
Accretion of interest	273,875	262,310
Other movements	(454)	(43,392)
Ending balance	P4,914,082	P4,829,650

On October 30, 2014, the IC released Circular Letter No. 2014-42-A, *Valuation standards for life insurance policy reserves*, requiring all life insurance companies to calculate the reserves for traditional life insurance policies using the gross premium valuation. The IC requires parallel runs during the transition period to allow the insurance industry to assess the collective impact of implementing the gross premium valuation.

The Company is conducting parallel runs on the application of the new valuation standards for life insurance policy reserves which will increase legal policy reserves of the Company.

16. Claims payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	2015	2014
Beginning balance:		
Notified payable	P206,679	P164,628
IBNR	48,125	43,107
	254,804	207,735
Cash paid for claims settled during the year	(414,701)	(418,757)
Increase in liabilities	446,382	465,826
Ending balance	P286,485	P254,804
Notified claims payable	P236,862	P206,679
IBNR	49,623	48,125
	P286,485	P254,804

17. Reinsurance payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	2015	2014
Beginning balance		P74,560	P81,319
Premium ceded to reinsurers	19	458,850	457,898
Paid during the year		(440,054)	(464,657)
Ending balance		P93,356	P74,560

18. Accounts payable, accrued expenses and other liabilities

The account consists of the following:

	Note	2015	2014
Dividends payable to policyholders		P1,068,806	P1,025,616
Accrued expenses		756,886	491,499
Due to unit-linked funds		371,248	214,918
Agent's commission payable		264,356	238,715
Provident fund payable		149,381	132,439
Premium suspense account		148,215	94,300
Withholding tax payable		100,128	80,488
Due to related parties	25	71,152	109,415
Premium deposit fund		53,132	54,363
Retirement liability	23	48,917	31,742
Premium tax payable		16,071	13,408
Other liabilities		84,182	73,364
		P3,132,474	P2,560,267

Dividends payable to policyholders pertains to supplementary discretionary returns through participation in the surplus of the Company arising from participating business.

Accrued expenses primarily consist of performance and incentive bonuses payable.

Due to unit-linked fund pertains to the investment portion of premiums received from the policyholders that are yet to be invested in the separately identifiable funds.

Agent's commission payable pertains to unpaid commissions.

Provident fund payable represents the retirement fund for agents.

Premium suspense account pertains to amounts received from the policyholders who are in the process of policy application and unidentified collections. These collections will be applied to premiums due.

Due to related parties account includes payables to Eastspring Investments (Singapore) Limited, Inc. (Eastspring), Prudential Holdings Limited (PHL); Prudential Services Asia (PSA); and Prudential Assurance Malaysia Berhad (PAMB) (see Note 25).

Premium deposit fund represents advance payment from policyholders which will be used for payment of any future unpaid premiums under the policy. The fund earns interest which is credited to the fund. The accumulated fund shall not exceed the total future premium payments under the policy.

19. Net premiums

Gross premiums on insurance contracts:

	Note	2015	2014
Unit-linked insurance	10	P19,417,830	P15,933,849
Group life insurance		585,666	686,861
Ordinary life insurance		243,236	260,723
Accident and health		21,932	22,137
		P20,268,664	P16,903,570

Reinsurer's share of gross premiums on insurance contracts:

	Note	2015	2014
Unit-linked insurance		P76,339	P58,865
Group life insurance		371,044	400,147
Ordinary life insurance		10,979	(1,832)
Accident and health		488	718
	17	P458,850	P457,898

Net premiums on insurance contracts:

	2015	2014
Unit-linked insurance	P19,341,491	P15,874,984
Group life insurance	214,622	286,714
Ordinary life insurance	232,257	262,555
Accident and health	21,444	21,419
	P19,809,814	P16,445,672

20. Policy administration fees

Policy administration fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy document:

	2015	2014
Managed Fund	1.79%	1.79%
Bond Fund (Peso)	1.53%	1.53%
Bond Fund (Dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Proactive Fund	2.25%	2.25%
Money Market Fund	0.50%	0.50%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	2.05%
Global Emerging Fund	2.05%	2.05%
Cash Flow Fund	1.95%	1.95%

Policy administration fees amounted to PhP 1.34 billion and PhP 1.09 billion in 2015 and 2014, respectively.

21. Investment income (Loss)

	Note	2015	2014
Interest income		P547,713	P534,071
Gain on disposals of investments	8	606,818	158,064
Unrealized (loss) gain on valuation of investments	8	(860,241)	10,501
Final withholding tax		(221,724)	(134,172)
Investment management expense	25a	(237,972)	(185,274)
		(P165,406)	P383,190

22. Benefits and claims

Gross benefits and claims on insurance contracts:

2015

	Gross benefits and claims	Reinsurers' share of gross benefits and claims	Net
Unit-linked insurance	P4,026,466	P10,394	P4,016,072
Ordinary life insurance	271,032	332	270,700
Group life insurance	98,609	22,181	76,428
Accident and health	1,890	115	1,775
	P4,397,997	P33,022	P4,364,975

2014

	Gross benefits and claims	Reinsurers' share of gross benefits and claims	Net
Unit-linked insurance	P3,786,310	P16,638	P3,769,672
Ordinary life insurance	235,779	172	235,607
Group life insurance	64,319	11,889	52,430
Accident and health	30,987	-	30,987
	P4,117,395	P28,699	P4,088,696

Gross change on increase in legal policy reserves:

	2015	2014
Unit-linked insurance	P56,462	P22,915
Ordinary life insurance	44,270	54,982
Group life insurance	(14,679)	3,756
Accident and health	(1,621)	(1,408)
	P84,432	P80,245

23. Retirement plan

As discussed in Note 3, the Company maintains a DC plan with minimum DB guarantee and is accounted for as a DB plan. As at December 31, 2015, the DB liability is greater than the DC liability.

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components.

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2015	P279,527	P247,785	P31,742
Included in profit or loss			
Current service cost	34,246	-	34,246
Interest cost	12,226	10,583	1,643
	46,472	10,583	35,889
Included in other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss (gain) arising from:			
Financial assumptions	(29,507)	-	(29,507)
Experience adjustment	33,989	-	33,989
Return on plan assets excluding interest income	-	(9,008)	9,008
	4,482	(9,008)	13,490
Others			
Contributions paid by the employer	-	32,204	(32,204)
Benefits paid	(24,576)	(24,576)	-
	(24,576)	7,628	(32,204)
Balance at December 31, 2015	P305,905	P256,988	P48,917

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2014	P -	P -	P -
Included in profit or loss			
Current service cost	279,527	-	279,527
	279,527	-	279,527
Others			
Contributions paid by the employer	-	247,785	(247,785)
	-	247,785	(247,785)
Balance at December 31, 2014	P279,527	P247,785	P31,742

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to PhP 35.89 million and PhP 69.72 million in 2015 and 2014, respectively.

The Company's plan assets consist of the following:

	2015	2014
Cash and cash equivalents	**P39**	P23,197
Government securities	**90,036**	91,254
Deposit instruments	**-**	33,625
Unit investments trust funds	**60,083**	25,710
Investment in mutual funds	**59,106**	37,629
Corporate bonds	**63,691**	48,435
Trust fee payable	**(329)**	(305)
Other payables	**(15,638)**	(11,760)
	P256,988	P247,785

The expected contribution to the defined benefit retirement plan in 2016 is PhP 50.10 million.

The following were the principal actuarial assumptions at the reporting date:

	2015	2014
Discount rate	**4.75%**	4.50%
Future salary growth	**6.00%**	7.00%

The weighted-average duration of the defined benefit obligation is 13 years and 23 years as at December 31, 2015 and 2014, respectively.

Maturity analysis of the benefit payments:

2015	Carrying amount	Contractual cash flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement liability	P305,905	P399,352	P28,620	P82,215	P288,517

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	(P11,454)	P22,134
Future salary growth (1% movement)	21,501	(11,438)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the Plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

24. Income taxes

The components of the Company's income tax expense in profit or loss are as follows:

	2015	2014
Current tax expense	**P4,280**	P4,966
Deferred tax expense	**39,594**	49,308
	P43,874	P54,274

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in profit or loss as follows:

	2015	2014
Income before income tax expense	**P1,517,740**	P1,777,230
Income tax using the domestic corporation tax rate	**P455,322**	P533,169
Additions to (reduction in) income tax resulting from:		
Non-deductible expenses	**14,458**	13,729
Other income subjected to final tax	**(170,839)**	(126,278)
Non-taxable gain from disposal of investments	**(242,696)**	(81,560)
Interest income subjected to final tax	**(383,648)**	(395,140)
Non-deductible (taxable) loss (gain) on valuation of investments	**255,950**	(3,764)
Expired recognized NOLCO	**209,165**	-
Effect of unrecognized deferred tax assets	**(98,118)**	109,152
Expired MCIT	**4,280**	4,966
	P43,874	P54,274

Deferred tax assets with respect to the Company's NOLCO has not been fully recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits from. Unrecognized deferred tax asset on NOLCO amounted to PhP 534.58 million and PhP 861.64 million as at December 31, 2015 and 2014, respectively.

Below is the movement of the deferred tax assets and deferred tax liabilities recognized as at December 31, 2015 and 2014.

2015

	Beginning balance	Amount (Charged) credited to profit or loss	Amount recognized in other comprehensive income	Ending balance
NOLCO	**P425,978**	**P82,966**	**P -**	**P508,944**
Accrued expenses	**156,660**	**85,084**	**-**	**241,744**
Agent's Commission	**71,614**	**7,692**	**-**	**79,306**
Provident fund	**38,260**	**6,554**	**-**	**44,814**
IBNR	**14,437**	**449**	**-**	**14,886**
MCIT	**26,507**	**12,237**	**-**	**38,744**
Retirement liability	**-**	**-**	**4,047**	**4,047**
Deferred acquisition cost	**(1,267,361)**	**(222,339)**	**-**	**(1,489,700)**
Deferred tax liabilities - net	**(P533,905)**	**(P27,357)**	**P4,047**	**(P557,215)**

2014

	Beginning balance	Amount (Charged) credited to profit or loss	Ending balance
NOLCO	P364,222	P61,756	P425,978
Accrued expenses	116,287	40,373	156,660
Commission	48,659	22,955	71,614
Provident fund	33,053	5,207	38,260
IBNR	12,932	1,505	14,437
MCIT	13,191	13,316	26,507
Deferred acquisition cost	(1,086,257)	(181,104)	(1,267,361)
Deferred tax liabilities - net	(P497,913)	(P35,992)	(P533,905)

The Company recognized deferred tax assets pertaining to MCIT amounting to PhP 38.74 million and PhP 26.51 million in 2015 and 2014, respectively.

The details of the Company's MCIT available for offsetting against future current tax liabilities are as follows:

Year Incurred	Amount	Write-off/Application	Remaining balance	Date of expiration
2012	P4,280	P4,280	P -	December 31, 2015
2013	3,945	-	3,945	December 31, 2016
2014	18,282	-	18,282	December 31, 2017
2015	16,517	-	16,517	December 31, 2018
	P43,024	P4,280	P38,744	

The carry-forward benefits of NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount	Write-off/Application	Remaining balance	Date of expiration
2012	P697,215	P697,215	P -	December 31, 2015
2013	1,014,655	-	1,014,655	December 31, 2016
2014	569,695	-	569,695	December 31, 2017
2015	646,711	-	646,711	December 31, 2018
	P2,928,276	P697,215	P2,231,061	

25. Related party transaction

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Company are also considered to be related parties.

The Company's key management personnel are composed of the senior management and directors.

Category/Transaction	Year	Note	Amount of the transaction	Due to related parties	Due from related parties	Terms	Conditions
Eastspring (under common control)							
Investment management	2015	a	P237,972	P56,512	P -	30 days; non-interest bearing	Unsecured
	2014		185,274	48,231	-	30 days; non-interest bearing	Unsecured
PSA (under common control)							
IT service costs	2015	b	58,361	11,252	-	30 days; non-interest bearing	Unsecured
	2014		59,117	13,418	-	30 days; non-interest bearing	Unsecured
PHL (under common control)							
Allocation of expenses	2015	c	147,662	3,388	-	30 days; non-interest bearing	Unsecured
	2014		157,184	47,752	-	30 days; non-interest bearing	Unsecured
PAMB (under common control)							
Allocation of expenses	2015	d	-	-	-	30 days; non-interest bearing	Unsecured
	2014		15	14	-	30 days; non-interest bearing	Unsecured
Prudential Vietnam Assurance - Private Limited (under common control)							
Allocation of expenses	2015	e	-	-	-		
	2014		46	-	46		
Prudence Foundation Limited (under common control)							
Allocation of expenses	2015	f	9,604	-	2,384		
	2014		36,504	-	1,650		
TOTAL	**2015**			**P71,152**	**P2,384**		
TOTAL	2014			P109,415	P1,696		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under "Other assets" (see Note 14) and "Accounts payable, accrued expenses and other liabilities" (see Note 18) accounts, respectively.

a. In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter shall act as investment advisor to the Company on the management of both the Company's investments and the investment funds (see Note 10) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.

b. In 2010, the Company entered into a Service Level Agreement with PSA to provide infrastructure services aligned to agreed service hours and delivery performance targets. The services involve system availability and operation, service desk, network availability, back-up and recovery, change management, disaster recovery plans and system capacity and resource monitoring.

c. These pertain to advances made by PHL on behalf of the Company for the expenses covering software maintenance, training for regional agency leaders and agents conference. These are netted against the advances made by the Company on behalf of PHL for the settlement of certain administration costs.

d. These pertain to advances made by PAMB for the travel expenses incurred by the Company.

e. Transactions with Private Limited (PVA) pertain to the advances made by the Company for the settlement of travel expenses incurred by PVA.

f. Transactions with Prudence Foundation Limited (PFL) pertain to various advances made by the Company on behalf of PFL for activities related to corporate social responsibilities in the Philippines.

The entities mentioned above are wholly-owned subsidiaries of Prudential.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The key management personnel compensation is as follows:

	2015	2014
Short-term employee benefits	**P143,246**	P174,721
Post-employment benefits	**8,530**	7,921
	P151,776	P182,642

These expenses are recorded under "Salaries, allowances and employees' benefits" in profit or loss.

26. Leases

The Company leases its head office and branches under operating lease. On November 6, 2014, the Company entered into a lease contract with Mega World Corporation for office space at Uptown Bonifacio Tower 1 for a period of five years commencing on September 15, 2015 subject to a 5% escalation effective on the third year of the lease term and compounded annually thereafter at the same rate.

Leases for branches are for a period of three to five years. None of the leases includes contingent rentals and restrictions.

Lease related transactions are as follows:

	2015	2014
Rent expense	**P165,260**	P119,259
Security deposit	**69,724**	58,151
Prepaid rent	**19,397**	48,938

Future minimum lease payments are payable as follows:

	2015	2014
Less than one year	**P227,567**	P195,507
Between one and five years	**754,469**	574,447
	P982,036	P769,954

27. Equity

The details of this account are as follows:

	2015	2014
Authorized		
Par value per share	**P100**	P100
Number of shares	**5,000,000**	5,000,000
Issued and Outstanding		
Number of shares	**5,000,000**	5,000,000
Capital stock	**P500,000**	P500,000
Additional paid-in capital	**462,000**	462,000
Total paid-up capital	**P962,000**	P962,000

On June 30, 2015, the Board of Directors of the Company declared cash dividends amounting to PhP 352.94 million or PhP 70.59 per share. This was approved by the IC on August 18, 2015 and was paid on December 18, 2015.

As at December 31, 2015, the Company's retained earnings of PhP 8.95 billion is in excess of its paid-up capital of PhP 962.00 million. The Company's plan to use the excess retained earnings is dependent on the impact of the following to the Company:

a. IC's directive to calculate the reserves for traditional life insurance policies using the gross premium valuation (see Note 15); and

b. Amendments currently being implemented by IC with respect to the risk based capital requirement.

28. Contingent liabilities

In the normal course of the Company's operations, there are outstanding contingent liabilities which are not reflected in the financial statements. The management of the Company does not anticipate losses that will materially affect the financial statements as a result of these transactions.

29. Reclassification of accounts

In 2015, the Company reclassified some accounts in profit or loss to be consistent with the nature of the accounts.

Accordingly, the Company also reclassified the comparative figures in 2014.

	Before Reclassification	Reclassification	After Reclassification
Premiums	P16,092,203	P811,367	P16,903,570
Costs on premiums of variable insurance	(7,464,312)	(811,367)	(8,275,679)

The reclassification represents insurance charges amounting to PhP 811.37 million which was previously presented as part of "Cost on premiums of variable insurance" in profit or loss.

The above reclassification has no effect on the information in the statements of financial position and statements of comprehensive income since there was no change in net income for the year ended December 31, 2014. Accordingly, statements of financial position at the beginning of the earliest comparative period is not presented.

30. Supplementary information required by the Bureau of Internal Revenue based on RR No. 15-2010

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

The following are the tax information required for the taxable year ended December 31, 2015:

A. Documentary stamp tax

On others	**P3,483,764**

B. Withholding taxes

Creditable withholding taxes	**P373,337,122**
Final withholding taxes	**274,666,343**
Tax on compensation and benefits	**158,887,136**
	P806,890,601

C. All other taxes (local and national)

Premiums tax	**P64,143,699**
License and permit fees	**20,254,220**
Fringe benefits tax	**4,917,304**
Real estate taxes	**109,114**
	P89,424,337

D. Tax contingencies

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as at December 31, 2015.

COMBINED FINANCIAL STATEMENTS

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)
PRULINK OPERATED BY THE LINKED FUND

COMBINED FINANCIAL STATEMENTS
December 31, 2015 and 2014

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226
Philippines

March 31, 2016

Gentlemen:

This representation letter is provided in connection with your audit of the combined financial statements of PRUlink operated by the Linked Fund ("the Funds") as at and for the years ended December 31, 2015 and 2014, for the purpose of expressing an opinion as to whether the combined financial statements are prepared in accordance with the basis of preparation set out in Note 2 to the combined financial statements.

We confirm that the representations we make in this letter are in accordance with the definitions set out in the Appendix to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Combined financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 2, 2015 for the preparation and fair presentation of the individual financial statements of the Funds that comprise the combined financial statements in accordance with the recognition, measurement and disclosure principles that are consistent with Philippine Financial Reporting Standards (PFRSs).

2. Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. There have been no events subsequent to the date of the combined financial statements and for which PFRSs require adjustment or disclosure.

Information provided

4. We have provided you with:

   - access to all information of which we are aware that is relevant to the preparation of the combined financial statements, such as records, documentation and other matters. Specifically, we have made available to you all books of account and supporting documentation;

   - additional information that you have requested from us for the purpose of the audit; and

   - unrestricted access to persons within the Funds from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the combined financial statements.

6. We have disclosed to you that:

   a) There have been no instances of fraud or suspected fraud that we are aware of that affect the Funds and involve:

      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the combined financial statements.

   b) There have been no allegations of fraud, or suspected fraud, affecting the Funds' combined financial statements communicated by employees, former employees, analysts, regulators or others.

   In respect of the above, we acknowledge our responsibility for such internal control as we determine necessary for the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. We are not aware of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the combined financial statements. Further, we have disclosed to you that there have been no communications from regulatory agencies, governmental representatives, tax authority's employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the combined financial statements.

8. There are no other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the combined financial statements in accordance with Philippine Accounting Standard (PAS) 37 *Provisions, Contingent Liabilities and Contingent Assets*, including liabilities or contingent liabilities arising from illegal or possible illegal acts.

9. We confirm that there are no key risk factors, assumptions and uncertainties of which we are aware that are relevant to the Funds' ability to continue as a going concern.

10. We confirm that we have provided you with all information relating to the Funds' exposures to risks arising from financial instruments and how those exposures arise, including a description of our objectives, policies and processes for managing the risks arising from financial instruments and the methods used to measure risks.

11. Receivables reported in the combined financial statements represent valid claims against debtors for services rendered or other charges arising on or before the reporting date and we assessed that there are no provisions necessary for any risk of losses that may be sustained on uncollectible receivables as of the reporting dates because all outstanding receivables are collectible.

12. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the combined financial statements. We believe that the carrying amounts of all material assets will be recoverable.

13. There are no liens or encumbrance on the Funds' assets.

14. The Funds have complied with all aspects of contractual agreements that could have a material effect on the combined financial statements.

15. All revenues are final and there are no side agreements with customers, except for condition covered by the usual and customary commercial agreement.

16. There are no formal or informal compensating balance arrangement with any of our cash accounts and also has no line of credit arrangements with any banks.

17. We have assessed all financial assets, except those measured at fair value through profit or loss, and found no objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset.

18. We believe the assumptions and techniques used by us are appropriate and that all fair value measurements are determined in accordance with PFRS 13 *Fair Value Measurements*.

19. We have appropriately disclosed fair values of financial assets and financial liabilities in the combined financial statements in accordance with PFRS 7 *Financial Instrument: Disclosure* and PFRS 13. We believe the disclosures appropriately categorize those fair value measurements in the fair value hierarchy.

    We have disclosed the methods and assumptions applied in determining the fair values of each class of financial instrument.

20. We have considered which currency is the currency of the primary economic environment in which the Funds operate (the "functional currency"). In making this assessment, we have used our judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Funds. We have concluded that the functional currency of the Funds is Philippine peso.

21. There are no material transactions that have not been properly recorded in the accounting records underlying the combined financial statements.

Yours truly,

Antonio G. De Rosas
President and Chief Executive Officer

Lee C. Longa
Executive Vice President and Chief Financial Officer

Appendix to the management representation letter of PRUlink operated by the Linked Fund

Definitions

The following definitions assume that PFRSs are the applicable financial reporting framework. When PFRSs have not been used to prepare the combined financial statements, an appropriate equivalent definition from the applicable financial reporting framework should be used, if available. If the financial reporting framework does not contain a relevant definition, then the definition from the PSA or IFAC Glossary of Terms should be used.

Financial statements

The combined financial statements comprises:

a) a combined statements of assets and accountabilities as at the end of the period;

b) a combined statements of changes in net assets for the period;

c) a combined statements of cash flows for the period;

d) notes, comprising a summary of significant accounting policies and other explanatory information; and

e) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A.

Material matters

Certain representations in this letter are described as being limited to matters that are material.

PAS 1.7 and PAS 8.5 state the following:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the combined financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in combined financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Error

An error is an unintentional misstatement in combined financial statements, including the omission of an amount or a disclosure (IFAC Glossary of Terms).

Prior period errors are omissions from, and misstatements in, the Funds' combined financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorized for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those combined financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.

Report on the financial statements

We have audited the accompanying combined financial statements of PRUlink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) as at December 31, 2015 and 2014, which comprise the combined statements of assets and accountabilities, combined statements of changes in net assets and combined statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements, in accordance with the basis of preparation set out in Note 2 to the combined financial statements, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of PRUlink, operated by the Linked Fund of Pru Life Insurance Corporation of U.K. as at December 31, 2015 and 2014, and its combined financial performance and combined cash flows for the years then ended in accordance with the basis of preparation set out in Note 2 to the combined financial statements.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner

CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320748MD
Issued January 4, 2016 at Makati City

March 31, 2016
Makati City, Metro Manila

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES OF THE PRULINK OPERATED BY THE LINKED FUND AS AT DECEMBER 31, 2015

(Amounts in thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
ASSETS													
Cash and cash equivalents		P65,072	P3,489	P22,932	P247,236	P445,356	P116,275	P548,506	P761	P331	P495	P19,259	P1,469,712
Interest receivables		2	195,114	155,705	7	23,060	1,683	17	-	-	-	-	375,588
Receivable from life fund	2	9,559	11,416	423	82,652	91,707	198	57,070	-	346	-	115,109	368,480
Investments at fair value through profit or loss	5	6,843,470	20,573,164	9,088,445	9,464,163	31,171,941	70,157	15,565,614	969,580	1,082,119	566,580	2,342,932	97,738,165
Other assets		-	-	-	-	170,000	-	-	5,180	329	1,345	-	176,854
		6,918,103	20,783,183	9,267,505	9,794,058	31,902,064	188,313	16,171,207	975,521	1,083,125	568,420	2,477,300	100,128,799
LIABILITIES													
Liability to life fund and other linked funds	2, 8	(2,680)	(16,084,813)	(6,444)	(3,191)	(15,792,289)	(4)	(968)	(5,602)	(329)	(1,628)	-	(31,897,948)
Accrued expenses	8	(219)	(7,375)	(3,300)	(389)	(16,420)	(18)	(1,584)	(1,032)	(486)	(257)	(24,449)	(55,529)
Trade payable	8	-	-	-	(110,000)	(153,520)	-	(60,000)	-	(90)	(153)	(18,866)	(342,629)
NET ASSETS		P6,915,204	P4,690,995	P9,257,761	P9,680,478	P15,939,835	P188,291	P16,108,655	P968,887	P1,082,220	P566,382	P2,433,985	P67,832,693

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES OF THE PRULINK OPERATED BY THE LINKED FUND AS AT DECEMBER 31, 2014

(Amounts in thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
ASSETS													
Cash and cash equivalents		P103,686	P128,168	P111,587	P294,486	P417,488	P59,325	P757,856	P676	P643	P1,873	P24,218	P1,900,006
Interest receivables		3	224,347	139,991	9	4,795	-	19	-	-	-	-	369,164
Receivable from life fund	2	4,152	503	20,159	45,974	57,478	-	41,035	-	4,448	1,455	39,773	214,977
Investments at fair value through profit or loss	5	6,915,634	22,384,186	8,255,592	7,988,846	24,778,831	-	14,270,251	1,120,698	1,130,298	602,394	251,174	87,697,904
Other assets		-	50,000	-	-	60,000	-	-	2,528	69	-	-	112,597
		7,023,475	22,787,204	8,527,329	8,329,315	25,318,592	59,325	15,069,161	1,123,902	1,135,458	605,722	315,165	90,294,648
LIABILITIES													
Liability to life fund and other linked funds	2, 8	(3,146)	(18,046,724)	(22,983)	(5,965)	(11,293,340)	(2)	(8,391)	(2,164)	-	(5)	-	(29,382,720)
Accrued expenses	8	(450)	(11,477)	(4,304)	(664)	(18,641)	(8)	(2,850)	(1,089)	(762)	(407)	(168)	(40,820)
Trade payable	8	-	-	-	(100,000)	(136,949)	-	(10,000)	-	-	(2,657)	(24,403)	(274,009)
NET ASSETS		P7,019,879	P4,729,003	P8,500,042	P8,222,686	P13,869,662	P59,315	P15,047,920	P1,120,649	P1,134,696	P602,653	P290,594	P60,597,099

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CHANGES IN NET ASSETS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
Net assets at beginning of year		P7,019,879	P4,729,003	P8,500,042	P8,222,686	P13,869,662	P59,315	P15,047,920	P1,120,649	P1,134,696	P602,653	P290,594	P60,597,099
Net additions (withdrawals) to the Fund for creation of units		13,062	(26,383)	125,330	1,929,891	2,926,164	128,805	1,774,357	(155,692)	132,507	61,977	2,337,782	9,247,800
		7,032,941	4,702,620	8,625,372	10,152,577	16,795,826	188,120	16,822,277	964,957	1,267,203	664,630	2,628,376	69,844,899
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	(805,822)	291,535	-	(2,107,345)	(504)	-	19,882	(156,872)	(69,488)	(94,282)	(2,922,896)
Interest income		148	1,046,000	460,187	544	3,247	1,779	889	-	-	-	-	1,512,794
Gain (loss) on sale of investment at fair value through profit or loss		-	335,318	26,855	-	191,508	-	-	3,764	(3,141)	(15,325)	(12,728)	526,251
Dividend income		-	-	-	-	569,462	-	-	-	-	-	-	569,462
Profit (loss) from interfund investments		(108,163)	15,052	-	(456,682)	1,198,429	-	(648,636)	-	-	-	-	-
FUND EXPENSES													
Management fees	6	(9,692)	(328,828)	(146,187)	(15,852)	(710,632)	(748)	(65,698)	(19,716)	(24,970)	(13,435)	(24,822)	(1,360,580)
Distribution expense		-	-	-	-	-	-	-	-	-	-	(62,559)	(62,559)
Tax expense		(30)	(273,345)	(1)	(109)	(660)	(356)	(177)	-	-	-	-	(274,678)
		(117,737)	(11,625)	632,389	(472,099)	(855,991)	171	(713,622)	3,930	(184,983)	(98,248)	(194,391)	(2,012,206)
NET ASSETS AT END OF YEAR		P6,915,204	P4,690,995	P9,257,761	P9,680,478	P15,939,835	P188,291	P16,108,655	P968,887	P1,082,220	P566,382	P2,433,985	P67,832,693

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CHANGES IN NET ASSETS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
Net assets at beginning of year		P6,668,932	P5,107,007	P7,851,679	P5,223,025	P9,008,509	P20,396	P12,250,442	P1,090,353	P642,749	P -	P -	P47,863,092
Net additions (withdrawals) to the Fund for creation of units		60,297	(490,285)	(252,233)	2,004,347	2,504,881	39,067	1,875,126	(21,632)	469,770	689,242	292,760	7,171,340
		6,729,229	4,616,722	7,599,446	7,227,372	11,513,390	59,463	14,125,568	1,068,721	1,112,519	689,242	292,760	55,034,432
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	(112,059)	579,978	-	3,969,637	-	-	66,886	36,611	(81,268)	(1,760)	4,458,025
Interest income		828	1,103,981	435,582	1,088	1,279	339	4,543	-	-	1	-	1,547,641
Gain (loss) on sale of investment at fair value through profit or loss		-	132,643	12,317	-	329,451	-	-	6,077	3,471	(141)	-	483,818
Dividend income		-	-	-	-	420,928	-	-	-	-	-	-	420,928
Profit (loss) from interfund investments		306,086	(435,628)	-	1,012,886	(1,894,637)	-	1,011,293	-	-	-	-	-
FUND EXPENSES													
Management fees	6	(16,098)	(330,486)	(127,281)	(18,442)	(469,970)	(419)	(92,576)	(21,035)	(17,905)	(5,181)	(406)	(1,099,799)
Tax expense		(166)	(246,170)	-	(218)	(416)	(68)	(908)	-	-	-	-	(247,946)
		290,650	112,281	900,596	995,314	2,356,272	(148)	922,352	51,928	22,177	(86,589)	(2,166)	5,562,667
NET ASSETS AT END OF YEAR		P7,019,879	P4,729,003	P8,500,042	P8,222,686	P13,869,662	P59,315	P15,047,920	P1,120,649	P1,134,696	P602,653	P290,594	P60,597,099

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CASH FLOWS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	(P117,737)	(P11,625)	P632,389	(P472,099)	(P855,991)	P171	(P713,622)	P3,930	(P184,983)	(P98,248)	(P194,391)	(P2,012,206)
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	805,822	101,058	-	2,107,345	504	-	(16,419)	162,114	73,396	101,350	3,335,170
Interest income	(148)	(1,046,000)	(460,187)	(544)	(3,247)	(1,779)	(889)	-	-	-	-	(1,512,794)
Gain (loss) on sale of investment at fair value through profit or loss	-	(335,318)	(26,855)	-	(191,508)	-	-	(3,764)	3,141	15,325	12,728	(526,251)
Dividend income	-	-	-	-	(569,462)	-	-	-	-	-	-	(569,462)
Foreign exchange gain	-	-	(393,436)	-	-	-	-	(3,463)	(5,242)	(3,908)	(7,068)	(413,117)
Profit (loss) from interfund investments	108,163	(15,052)	-	456,682	(1,198,429)	-	648,636	-	-	-	-	-
Operating loss before working capital changes	(9,722)	(602,173)	(147,031)	(15,961)	(711,292)	(1,104)	(65,875)	(19,716)	(24,970)	(13,435)	(87,381)	(1,698,660)
Decrease (increase) in:												
Receivable from life fund	(5,407)	(10,913)	19,736	(36,678)	(34,229)	(198)	(16,035)	-	4,102	1,455	(75,336)	(153,503)
Other assets	-	50,000	-	-	(110,000)	-	-	(2,652)	(260)	(1,345)	-	(64,257)
Liability to life fund and other linked funds	(466)	(1,961,911)	(16,539)	(2,774)	4,498,949	2	(7,423)	3,438	329	1,623	-	2,515,228
Trade payable	-	-	-	10,000	16,571	-	50,000	-	90	(2,504)	(5,537)	68,620
Accrued expenses	(231)	(4,102)	(1,004)	(275)	(2,221)	10	(1,266)	(57)	(276)	(150)	24,281	14,709
Net additions (withdrawals) to the fund for creation of units	13,062	(26,383)	125,330	1,929,891	2,926,164	128,805	1,774,357	(155,692)	132,507	61,977	2,337,782	9,247,800
Net cash provided by (used in) operating activities	(2,764)	(2,555,482)	(19,508)	1,884,203	6,583,942	127,515	1,733,758	(174,679)	111,522	47,621	2,193,809	9,929,937

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Acquisitions of investments - net	(P35,999)	P1,355,570	(P514,463)	(P1,931,999)	(P7,110,518)	(P70,661)	(P1,943,999)	P174,764	(P111,834)	(P48,999)	(P2,198,768)	(P12,436,906)
Interest received	149	1,075,233	444,473	546	3,248	96	891	-	-	-	-	1,524,636
Dividends received	-	-	-	-	551,196	-	-	-	-	-	-	551,196
Net cash provided by (used in) investing activities	(35,850)	2,430,803	(69,990)	(1,931,453)	(6,556,074)	(70,565)	(1,943,108)	174,764	(111,834)	(48,999)	(2,198,768)	(10,361,074)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,614)	(124,679)	(89,498)	(47,250)	27,868	56,950	(209,350)	85	(312)	(1,378)	(4,959)	(431,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	103,686	128,168	111,587	294,486	417,488	59,325	757,856	676	643	1,873	24,218	1,900,006
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	843	-	-	-	-	-	-	-	-	843
CASH AND CASH EQUIVALENTS AT END OF YEAR	P65,072	P3,489	P22,932	P247,236	P445,356	P116,275	P548,506	P761	P331	P495	P19,259	P1,469,712

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CASH FLOWS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	P290,650	P 112,281	P900,596	P995,314	P2,356,272	(P148)	P922,352	P51,928	P22,177	(P86,589)	(P2,166)	P5,562,667
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	112,059	(549,881)	-	(3,969,637)	-	-	(66,550)	(36,213)	81,571	1,824	(4,426,827)
Interest income	(828)	(1,103,981)	(435,582)	(1,088)	(1,279)	(339)	(4,543)	-	-	(1)	-	(1,547,641)
Gain (loss) on sale of investment at fair value through profit or loss	-	(132,643)	(12,317)	-	(329,451)	-	-	(6,077)	(3,471)	141	-	(483,818)
Dividend income	-	-	-	-	(420,928)	-	-	-	-	-	-	(420,928)
Foreign exchange gain	-	-	(31,723)	-	-	-	-	(336)	(398)	(303)	(64)	(32,824)
Profit (loss) from interfund investments	(306,086)	435,628	-	(1,012,886)	1,894,637	-	(1,011,293)	-	-	-	-	-
Operating loss before working capital changes	(16,264)	(576,656)	(128,907)	(18,660)	(470,386)	(487)	(93,484)	(21,035)	(17,905)	(5,181)	(406)	(1,349,371)
Decrease (increase) in:												
Receivable from life fund	23,796	11,165	(18,129)	(12,254)	(3,886)	-	57,895	149	(2,608)	(1,455)	(39,773)	14,900
Other assets	-	85,000	-	-	(30,000)	-	-	(1,133)	781	-	-	54,648
Liability to life fund and other linked funds	2,921	3,174,291	4,302	4,792	3,936,320	2	8,391	2,069	(85)	5	-	7,133,008
Trade payable	(50,000)	-	-	40,000	43,282	-	(45,000)	(991)	(1,923)	2,657	24,403	12,428
Increase in accrued expenses	77	4,700	1,634	331	10,532	2	976	391	475	407	168	19,693
Net additions (withdrawals) to the fund for creation of units	60,297	(490,285)	(252,233)	2,004,347	2,504,881	39,067	1,875,126	(21,632)	469,770	689,242	292,760	7,171,340
Net cash provided by (used in) operating activities	20,827	2,208,215	(393,333)	2,018,556	5,990,743	38,584	1,803,904	(42,182)	448,505	685,675	277,152	13,056,646

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Acquisitions of investments - net	(P242,000)	(P3,521,511)	P7,517	(P2,003,001)	(P6,294,682)	P -	(P2,372,001)	P41,217	(P449,666)	(P683,803)	(P252,934)	(P15,770,864)
Interest received	833	1,098,782	428,331	1,087	8,572	339	4,562	-	-	1	-	1,542,507
Dividends received	-	-	-	-	420,928	-	-	-	-	-	-	420,928
Net cash provided by (used in) investing activities	(241,167)	(2,422,729)	453,848	(2,001,914)	(5,865,182)	339	(2,367,439)	41,217	(449,666)	(683,802)	(252,934)	(13,807,429)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(220,340)	(214,514)	42,515	16,642	125,561	38,923	(563,535)	(965)	(1,161)	1,873	24,218	(750,783)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	324,026	342,682	68,547	277,844	291,927	20,402	1,321,391	1,641	1,804	-	-	2,650,264
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	525	-	-	-	-	-	-	-	-	525
CASH AND CASH EQUIVALENTS AT END OF YEAR	P103,686	P128,168	P111,587	P294,486	P417,488	P59,325	P757,856	P676	P643	P1,873	P24,218	P1,900,006

See Notes to the Combined Financial Statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS OF THE PRULINK OPERATED BY THE LINKED FUND

(Amounts in thousands, except as indicated)

1. Organization and business

Pru Life Insurance Corporation of U.K. (the "Company") was incorporated in the Philippines on January 17, 1996, primarily to engage in the business of life insurance. On September 11, 2002, the Insurance Commission (IC) also approved the Company's license to sell variable or unit-linked life insurance contracts, an insurance policy either on a group or on an individual basis, which provides for benefits or other contractual payments or values there under that may vary so as to reflect investment results. The objective of PRUlink (the "Funds") is to provide policyholders with above average return over the medium- and long-term period through both capital appreciation and income. Currently, there are eleven funds available for investment, for which these combined financial statements have been prepared.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited ("Prudential"). The Company's ultimate parent company is Prudential plc, an internationally diversified organization providing life insurance and fund management services worldwide.

a. **Managed fund** - a fund denominated in Philippine peso and invested in an optimal mix of medium- to long-term capital and income growth through investments in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange (PSE).

b. **Bond fund (peso)** - a fund denominated in Philippine peso and invested in the medium term together with long-term capital growth through investments in fixed income securities and money market instruments.

c. **Bond fund (dollar)** - a fund denominated in United States (US) dollars and invested in the medium term together with long-term capital growth through investments in fixed income securities and money market instruments denominated in US dollars.

d. **Growth fund** - a fund denominated in Philippine peso and invested in an optimal mix of medium- to long-term capital and income growth, with emphasis on strong capital growth, through investments in fixed income securities, money market instruments and with a greater focus of investment in shares of stocks listed in the PSE.

e. **Equity fund** - a fund denominated in Philippine peso and invested in medium- to long-term income growth through investments in money market instruments and shares of stocks listed in the PSE.

f. **Money market fund** - seeks to provide a stable return through investment in fixed income instruments issued by the Philippine government and short-term instruments such as deposit placements.

g. **Proactive fund** - seeks to optimize medium- to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments, and shares of stocks listed in PSE.

h. **Asian local bond fund** - invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated. Asian local bond fund is structured as a feeder fund which invests in the Asian Local Bond Fund of Eastspring Investments (Singapore) Limited (formerly known as "Prudential Asset Management Singapore").

i. **Asia Pacific equity fund** - aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies, which are incorporated, listed in, or have their area of primary activity in the Asia Pacific excluding Japan Region.

j. **Global emerging market fund** - a fund structured as a feeder fund and invests in the Eastspring Investments - Global Emerging Markets Dynamic Fund, which aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities, and bonds. This Fund invests primarily in securities of companies which are incorporated, listed in, operating principally from, carrying on significant business in, derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the emerging markets worldwide. This Fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, preference shares, and warrants.

k. **Cash flow fund** - seeks to provide investors with regular payouts and capital growth by investing into Luxembourg domiciled Eastspring Investments - US High Yield Bond, Asian Bond Fund, World Value Equity Fund, North American Value Fund, Asian Equity Income Fund and iShares Select Dividend Exchange Traded Funds (ETF).

For investment activities of the Funds that are managed by Eastspring Investments (Singapore) Limited (see Note 6), an entity under common control with the Company, the valuation and unit pricing calculation is done by Standard Chartered Bank (SCB) in accordance with the Prudential Corporation Asia (PCA) mandate.

The Company's registered address is at the 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Philippines.

2. Basis of preparation

Statement of compliance

The accompanying combined financial statements have been prepared to present the combined statements of assets and accountabilities, combined statements of changes in net assets and combined statements of cash flows of the Funds. The financial information used in presenting these combined financial statements is based on the financial statements of individual linked funds.

The combined financial statements of the Funds as at and for the years ended December 31, 2015 and 2014 were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 31, 2016.

Basis of measurement

The individual financial statements of the Funds have been prepared in accordance with the recognition, measurement and disclosure principles that are consistent with Philippine Financial Reporting Standards (PFRSs). The combined financial statements are prepared on the historical cost basis, except for investments at fair value through profit or loss (FVPL) that have been measured at fair value.

Basis of combination

The combined financial statements are prepared for a group of commonly controlled entities. Where the entities have been under common control but do not form a legal group, the financial statements can be presented on a combined or aggregated basis. The fundamental difference between combined and consolidated financial statements is that there are no controlling financial interests present between or among the combined entities. For the purpose of the combined financial statements, interfund transactions are not eliminated.

The interfund investments under "Investments at fair value through profit or loss" account not eliminated are as follows:

	2015	2014
Proactive Fund invested at Bond Fund (Peso)	**P8,476,057**	P9,710,543
Managed Fund invested at Bond Fund (Peso)	**5,607,177**	6,066,187
Growth Fund invested at Equity Fund	**7,465,362**	5,877,525
Proactive Fund invested at Equity Fund	**7,089,557**	4,559,708
Growth Fund invested at Bond Fund (Peso)	**1,998,801**	2,111,321
Managed Fund invested at Equity Fund	**1,236,293**	849,447
	P31,873,247	P29,174,731

The interfund liabilities taken up as part "Liabilities to life fund and other linked funds" account not eliminated are as follows:

	2015	2014
Liability of Bond Fund (Peso) to Proactive Fund	**P8,476,057**	P9,710,543
Liability of Bond Fund (Peso) to Managed Fund	**5,607,177**	6,066,187
Liability of Equity Fund to Growth Fund	**7,465,362**	5,877,525
Liability of Equity Fund to Proactive Fund	**7,089,557**	4,559,708
Liability of Bond Fund (Peso) to Growth Fund	**1,998,801**	2,111,321
Liability of Equity Fund to Managed Fund	**1,236,293**	849,447
	P31,873,247	P29,174,731

Receivable from life fund pertains to the investment portion of the premiums received from unit-linked policyholders by the Company that have not yet been transferred to the Funds. The balance amounted to PhP 368.48 million and PhP 214.98 million as at December 31, 2015 and 2014, respectively.

Liability to life fund and other link funds include amount advanced by the Company from the life fund to settle investment withdrawals and surrenders by unit-linked policyholders. The balance amounted to PhP 24.69 million and PhP 207.98 million as at December 31, 2015 and 2014, respectively.

Functional and presentation currency

The combined financial statements are presented in Philippine peso, which is the Funds' functional currency. All financial information presented in Philippine peso has been rounded off to the nearest thousands (PhP 000s), except when otherwise indicated. Transactions in foreign currencies pertain only to acquisitions and disposals of financial assets at fair value through profit or loss (FVPL) that are translated to the functional currency using the foreign currency exchange rate prevailing at the date of transaction. These financial assets at FVPL are translated to Philippine peso using the foreign currency closing exchange rate prevailing at the reporting date. The resulting foreign currency exchange differences are included in unrealized appreciation (depreciation) of financial assets at FVPL.

Use of estimates and judgments

The preparation of the combined financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the individual funds to all years presented in these combined financial statements, and have been applied consistently by the Funds.

New or revised standards, amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Funds have not applied the following new or amended standards in preparing these financial statements. The Funds are assessing the potential impact on its financial statements resulting from the application of the new standard.

Effective January 1, 2016

- *Disclosure Initiative (Amendments to PAS 1 Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

    The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

    The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Financial instruments

Non-derivative financial assets
The Funds initially recognize loans and receivables on the date that they originated. All other financial assets, including assets designated at FVPL, are recognized initially on the trade date, which is the date that the Funds become a party to the contractual provisions of the instrument.

The Funds derecognize a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the right to receive cash flows from the asset has expired;

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

- the Funds have transferred its right to receive cash flows from the asset and either have: (a) transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Funds have transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Funds continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Funds could be required to pay.

Financial assets and liabilities are offset and the net amount presented in the combined statement of net assets and accountabilities when, and only when, the Funds have a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Funds classifies non-derivative financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets.

As at December 31, 2015 and 2014, the Funds have no investments classified as HTM investments and AFS financial assets.

a. *Financial assets at FVPL*

A financial asset is classified at FVPL if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at FVPL if the Funds manage such investments and make purchase and sale decisions based on their fair value in accordance with the Funds' documented risk management or investment strategy. Attributable transaction costs are recognized in combined statements of changes in net assets as incurred. Financial assets at FVPL are measured at fair value and changes therein, which takes into account any dividend income, are recognized in combined statements of changes in net assets.

The Funds' held for trading account consists of traded government and corporate debt securities, equity securities listed in the PSE and investments in mutual funds. These financial assets are measured at fair value and changes therein are recognized in the combined statements of changes in net assets. Investments at fair value through profit or loss amounted to PhP 97.74 billion and PhP 87.70 billion as at December 31, 2015 and 2014, respectively (see Note 5).

The fair value for financial instruments traded in active markets at each reporting date is based on the quoted market price, dealer price quotations, or net asset value of these financial assets, without any deduction for transaction costs.

b. *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Funds' combined financial assets classified as loans and receivables comprise cash and cash equivalents, interest receivables, receivable from life fund, and other assets. As at December 31, 2015 and 2014, the Funds' combined loans and receivables amounted to PhP 2.39 billion and PhP 2.60 billion, respectively.

Cash and cash equivalents comprise cash balances and all deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in value, and are used by the Funds in the management of its short-term commitments.

Non-derivative financial liabilities
Financial liabilities are recognized when, and only when, the Funds become a party to the contractual provisions of the financial instrument. The Funds determine the classification of financial liabilities at initial recognition.

The Funds initially recognize financial liabilities on the date they are originated. Financial liabilities are initially recognized at fair value plus transaction costs for all financial liabilities not carried at FVPL.

The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expired.

The Funds classify non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Funds' other financial liabilities comprise accrued expenses and trade payable. As at December 31, 2015 and 2014, the Funds' other financial liabilities amounted to PhP 398.16 million and PhP 314.83 million, respectively.

Impairment

Non-derivative financial assets
A financial asset not classified at FVPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Funds on terms that the Funds would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortized cost
The Funds consider evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Funds use historical trends of the probability of default, the timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the combined statement of changes in net assets and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the combined statement of changes in net assets to the extent that the resulting carrying value of the asset does not exceed its carrying amount had no impairment loss has been recognized.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity, if any. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Funds and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Investment income
Investment income consists of fair value changes of investments at FVPL (net of final tax), interest income from all interest-bearing investments, dividend income from stock investments and gain on sale of investments.

Interest income for all interest-bearing financial instruments, including financial assets at FVPL, is recognized in the combined statements of changes in net assets using the effective interest method.

Dividend income for stock investments is recognized in the combined statements of changes in net assets when the right to receive payment is established.

Gain on sale of investments is recognized upon sale of investments when the consideration received is higher than the recorded cost of the investments.

Profit (Loss) from interfund investments
Profit (loss) from interfund investments consists of fair value changes and realized gain from interfund investments.

Expenses

All expenses, including management fees (see Note 6), custodian fees and distribution expenses are recognized when incurred.

Taxation

Dividend and interest income received by the Funds may be subject to withholding tax imposed in the country of origin. Interest income from interest-bearing investments is recorded gross of final tax.

Contingencies

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

Events after the reporting date

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

4. Critical accounting estimates and judgments

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Funds' accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effects or amounts recognize in the financial statements.

Determination of functional currency
Based on the economic substance of the underlying circumstance relevant to the Funds, the functional currency of the Funds has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Funds operate. It is the currency that mainly influences the income and costs arising from the Funds' operations.

5. Investments at fair value through profit or loss

This account as at December 31 consists of:

2015	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P26,987,143	P -	P -	P -	P1,268,210	P -	P -	P28,255,353
Accumulated fair value gain (loss)	-	-	-	-	4,184,798	-	-	-	(186,091)	-	-	3,998,707
	-	-	-	-	31,171,941	-	-	-	1,082,119	-	-	32,254,060
Investment in bond funds	4,283,494	-	-	1,842,236	-	-	7,589,643	-	-	-	-	13,715,373
Accumulated fair value gain	1,323,683	-	-	156,565	-	-	886,414	-	-	-	-	2,366,662
	5,607,177	-	-	1,998,801	-	-	8,476,057	-	-	-	-	16,082,035
Investment in equity funds	1,056,950	-	-	5,934,805	-	-	6,667,588	-	-	-	-	13,659,343
Accumulated fair value gain	179,343	-	-	1,530,557	-	-	421,969	-	-	-	-	2,131,869
	1,236,293	-	-	7,465,362	-	-	7,089,557	-	-	-	-	15,791,212
Treasury notes	-	19,818,679	8,605,517	-	-	70,660	-	976,512	-	753,521	2,454,757	32,679,646
Accumulated fair value gain (loss)	-	754,485	482,928	-	-	(503)	-	(6,932)	-	(186,941)	(111,825)	931,212
	-	20,573,164	9,088,445	-	-	70,157	-	969,580	-	566,580	2,342,932	33,610,858
	P6,843,470	P20,573,164	P9,088,445	P9,464,163	P31,171,941	P70,157	P15,565,614	P969,580	P1,082,119	P566,580	P2,342,932	P97,738,165

2014	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P18,486,689	P -	P -	P -	P1,098,436	P -	P -	P19,585,125
Accumulated fair value gain	-	-	-	-	6,292,142	-	-	-	31,862	-	-	6,324,004
	-	-	-	-	24,778,831	-	-	-	1,130,298	-	-	25,909,129
Investment in bond funds	4,596,423	-	-	1,898,122	-	-	8,500,252	-	-	-	-	14,994,797
Accumulated fair value gain	1,469,764	-	-	213,199	-	-	1,210,291	-	-	-	-	2,893,254
	6,066,187	-	-	2,111,321	-	-	9,710,543	-	-	-	-	17,888,051
Investment in equity funds	544,078	-	-	3,881,095	-	-	3,405,853	-	-	-	-	7,831,026
Accumulated fair value gain	305,369	-	-	1,996,430	-	-	1,153,855	-	-	-	-	3,455,654
	849,447	-	-	5,877,525	-	-	4,559,708	-	-	-	-	11,286,680
Treasury notes	-	20,823,879	7,615,445	-	-	-	-	1,085,353	-	683,662	252,934	30,461,273
Accumulated fair value gain (loss)	-	1,560,307	640,147	-	-	-	-	35,345	-	(81,268)	(1,760)	2,152,771
	-	22,384,186	8,255,592	-	-	-	-	1,120,698	-	602,394	251,174	32,614,044
	P6,915,634	P22,384,186	P8,255,592	P7,988,846	P24,778,831	P -	P14,270,251	P1,120,698	P1,130,298	P602,394	P251,174	P87,697,904

6. Management fees

Management fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy contract:

	2015	2014
Managed Fund	**1.79%**	1.79%
Bond Fund (Peso)	**1.53%**	1.53%
Bond Fund (Dollar)	**1.53%**	1.53%
Growth Fund	**2.25%**	2.25%
Equity Fund	**2.25%**	2.25%
Proactive Fund	**2.25%**	2.25%
Money Market Fund	**0.50%**	0.50%
Asian Local Bond Fund	**1.80%**	1.80%
Asia Pacific Equity Fund	**2.05%**	2.05%
Global Emerging Market Fund	**2.05%**	2.05%
Cash Flow Fund	**1.95%**	1.95%

7. Number of units and unit prices

As at December 31, the Funds' number of units issued are as follow:

	2015	2014
Managed Fund	**P2,288,200**	P2,283,512
Bond Fund (Peso)	**1,834,873**	1,845,131
Bond Fund (Dollar)	**81,521**	80,443
Growth Fund	**2,644,200**	2,147,898
Equity Fund	**7,571,639**	6,279,450
Proactive Fund	**7,833,866**	7,011,851
Money Market Fund	**183,203**	57,777
Asian Local Bond Fund	**21,924**	25,334
Asia Pacific Equity Fund	**28,136**	25,432
Global Emerging Market Fund	**16,220**	14,976
Cash Flow Fund	**57,886**	6,601
	P22,561,668	P19,778,405

The corresponding unit prices as of December 31, 2015 are as follow:

	2015	2014
Unit Price in Php		
Managed Fund	**P3.02212**	P3.07416
Bond Fund (Peso)	**2.55658**	2.56296
Growth Fund	**3.66102**	3.82825
Equity Fund	**2.10520**	2.20874
Proactive Fund	**2.05628**	2.14607
Money Market Fund	**1.02777**	1.02661
Unit Price in US$		
Bond Fund (Dollar)	**$2.40772**	$2.36827
Asian Local Bond Fund	**0.93696**	0.99144
Asia Pacific Equity Fund	**0.81550**	1.00001
Global Emerging Market Fund	**0.74035**	0.90193
Cash Flow Fund	**0.89149**	0.98664

8. Financial risk management

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Funds are discussed below.

Investment risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exist a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Funds adopt the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Funds invest in equity and debt instruments as dictated by the Fund's investment management strategy. Asset allocation is determined by the Fund Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Funds' portfolio is monitored by the Investment Committee.

There has been no change to the Funds' exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial risk

The Funds have significant exposure to the following financial risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

There has been no change to the Funds' exposure to financial risks (i.e. credit risk, liquidity risk, and market risks) or the manner in which it manages and measures the risks since prior financial year.

(a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. The Funds are exposed to credit risk primarily through its cash and cash equivalents, interest receivables, receivable from life fund, investment in debt securities and other assets. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Funds' investment in debt securities consists primarily of government treasury securities. Since these are backed by the full faith and credit of their respective governments, these are generally considered to be free of credit risk.

The Funds' concentration of credit risk arises from its investments in government securities since the said investments amounted to PhP 49.69 billion as at December 31, 2015 and PhP 50.50 billion as at December 31, 2014 which are 49.63% and 55.93% of its total assets, respectively.

The table below provides information regarding the credit risk exposure of the Funds as at December 31, 2015 and 2014 by classifying assets according to the Funds' credit grading of counterparties.

2015

	Neither Past Due nor Impaired				
	Investment High-grade	**Non-investment Grade - Satisfactory**	**Total Financial Assets Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Total**
Cash and cash equivalents	P1,469,712	P -	P1,469,712	P -	P1,469,712
Interest receivables	375,588	-	375,588	-	375,588
Receivable from life fund	368,480	-	368,480	-	368,480
Investment in debt securities	49,692,893	-	49,692,893	-	49,692,893
Other assets	176,854	-	176,854	-	176,854
	P52,083,527	P -	P52,083,527	P -	P52,083,527

2014

	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not Impaired	Total
Cash and cash equivalents	P1,900,006	P -	P1,900,006	P -	P1,900,006
Interest receivables	369,164	-	369,164	-	369,164
Receivable from life fund	214,977	-	214,977	-	214,977
Investment in debt securities	50,502,095	-	50,502,095	-	50,502,095
Other assets	112,597	-	112,597	-	112,597
	P53,098,839	P -	P53,098,839	P -	P53,098,839

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

Investment high-grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

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

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Funds monitor the credit ratings of the brokers used to further mitigate the risk.

Substantially all of the assets, including cash and cash equivalents, of the Funds are held by the SCB, Philippine Branch pursuant to a custodianship agreement entered into by the Funds with SCB, a reputable financial institution with high credit rating.

(b) Liquidity risk

The Funds are exposed to the liquidity risk of meeting policyholders' redemptions at any time. The Funds do not hold significant financial liabilities.

The Funds' investment in equity and debenture instruments is considered to be readily realizable as they are all listed on the major stock and debt exchanges. Thus, the Funds have limited exposure to liquidity risk.

The tables below summarize the maturity profile of the financial liabilities of the Funds based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2015 and 2014:

2015							
	Less than 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**More than 5 years**	**Total**
Liability to life fund and other linked funds	**P31,897,948**	**P -**	**P -**	**P -**	**P -**	**P -**	**P31,897,948**
Accrued expenses	**55,529**	-	-	-	-	-	**55,529**
Trade payable	**342,629**	-	-	-	-	-	**342,629**
	P32,296,106	**P -**	**P -**	**P -**	**P -**	**P -**	**P32,296,106**

2014							
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 years	Total
Liability to life fund and other linked funds	P29,382,720	P -	P -	P -	P -	P -	P29,382,720
Accrued expenses	40,820	-	-	-	-	-	40,820
Trade payable	274,009	-	-	-	-	-	274,009
	P29,697,549	P -	P -	P -	P -	P -	P29,697,549

(c) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk, and equity price risk.

The Funds' strategies on the management of investment risk are driven by the individual Fund's investment objective (see Note 1). The Funds' market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Funds' overall market positions are monitored on at least a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Funds investment portfolio at the reporting date are disclosed in Note 5.

Currency risk

The Funds may invest in financial instruments and enter into transactions denominated in currencies other than Philippine peso, the Funds' functional currency. Consequently, the Funds are exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than Philippine peso.

The Funds' most significant exposure to fluctuations in foreign currency exchange rates is through its assets denominated in US dollar:

	2015	2014
Short-term time deposits	**$331**	$2,501
Investments	**161,930**	148,559
	162,261	151,060
Foreign exchange rate to the Philippine peso used*	**47.17**	44.62
	P7,653,851	P6,740,297

**Exchange rate used is based on BSP foreign exchange rate as at December 29, 2015 and 2014.*

A 3% and 4% strengthening of Philippine Peso against the US dollar as at December 31, 2015 and 2014, with all variables remain constant, would have affected the measurement of profit before tax and equity by PhP 229.62 million and PhP 269.61 million, respectively. A 3% and 4% weakening of the Philippine peso in relation to the US dollar as at December 31, 2015 and 2014, respectively, would have an equal but opposite effect, on the basis that all other variables remain constant.

Interest rate risk

There are two types of interest rate risk:

- ***Fair value interest rate risk*** - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- ***Cash flow interest rate risk*** - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

A significant portion of the Funds' investments in debt instruments carried at FVPL is interest-bearing. As a result, the Funds are subject to exposure to fair value interest rate risk. The Funds do not carry debt instruments with variable interest rates and, thus, are not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Funds' Fund Manager by constructing a portfolio of debenture instruments with diversified maturities.

Any excess cash and cash equivalents of the Funds are invested in short-term time deposits with the term to maturity of up to three or six months.

The analysis below details the impact of changes in market interest rate to the fair value of the Funds' investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Changes in Variables	
	50 Basis Points	**50 Basis Points**
December 31, 2015	***Increase***	***Decrease***
Currency		
Philippine peso	(P753,900)	P802,892
US dollar	(335,263)	357,617
Fair value sensitivity	(P1,089,163)	P1,160,509

	Changes in Variables	
	50 Basis Points	50 Basis Points
December 31, 2014	*Increase*	*Decrease*
Currency		
Philippine peso	(P876,493)	P935,783
US dollar	(345,718)	368,528
Fair value sensitivity	(P1,222,211)	P1,304,311

Equity price risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Funds' equity price risk exposure relates to investments in equity securities held amounting to PhP 32.25 billion and PhP 25.91 billion as at December 31, 2015 and 2014, respectively (see Note 5). The value of these equity securities fluctuates upon changes in market conditions.

Equity price risk is managed by the Fund's Fund Manager by constructing a diversified equity portfolio.

All of the Funds' equity investments are listed in the PSE. A 7% increase in stock prices would have increased profit before income tax and equity by PhP 2.26 billion and PhP 1.81 billion as at December 31, 2015 and 2014, respectively. An equal change in the opposite direction would have decreased profit before income tax and equity by an equal but opposite amount.

Fair value measurement

Many of the Funds' financial instruments are carried at fair value on the combined statements of assets and accountabilities. Usually, the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For other financial instruments, including cash and cash equivalents, interest receivables, receivable from life fund, other assets, accrued expenses, trade payable and liability to life funds and other linked funds, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The recurring fair values of financial assets at FVPL are determined by reference to quoted market prices, at the close of business on the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

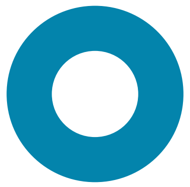
December 31, 2015				
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Investments at fair value through profit or loss	**P97,738,165**	**P -**	**P -**	**P97,738,165**

December 31, 2014				
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at fair value through profit or loss	P87,697,904	P -	P -	P87,697,904

There have been no transfers from Level 1 to Levels 2 or 3 in 2015 and 2014.

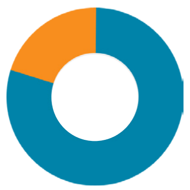
FUND OBJECTIVES

Local-denominated funds



▶ PRUlink peso bond fund

The Fund seeks to achieve an optimal level of income in the medium term together with long-term capital growth through investments in fixed income securities and money market instruments.

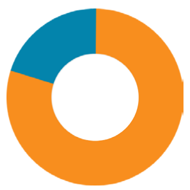


▶ PRUlink managed fund

The Fund seeks to optimize medium- to long-term capital and income growth through investment in fixed income securities, money market instruments, and shares of stocks listed in the Philippine Stock Exchange.

▶ PRUlink proactive fund

The Fund seeks to optimize medium- to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments, and shares of stocks listed in the Philippines.



▶ PRUlink growth fund

The Fund seeks to optimize medium- to long-term capital and income growth, with an emphasis on strong capital growth, through a greater focus of investment in shares of stocks listed in the Philippines. The Fund also invests in fixed income securities, and money market instruments.

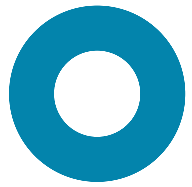
▶ PRUlink equity fund

The Fund seeks to optimize medium- to long-term capital growth through investments in shares of stocks listed in the Philippines.

Bonds

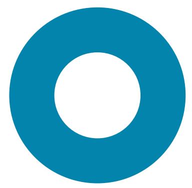
Equities

Foreign-denominated funds



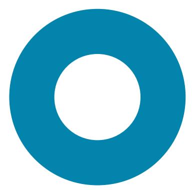
▶ PRUlink US dollar bond fund

The Fund seeks to achieve an optimal level of income in the medium term together with long-term capital growth through investments in fixed income securities denominated in US dollar.



▶ PRUlink Asian local bond fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Asian Local Bond Fund (EI-Asian Local Bond Fund). The EI-Asian Local Bond Fund invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated.



▶ PRUlink cash flow fund

The Fund seeks to provide investors with regular payout by investing in a diversified portfolio consisting primarily of high yield bonds and other fixed income/debt securities denominated in US dollars, issued in the US market rated below BBB-, as well as fixed income/debt securities issued by Asian entities or their subsidiaries. The Fund may, in addition, at the Fund Manager's discretion, invest up to twenty percent (20%) of its assets in dividend yielding equities.

▶ PRUlink Asia Pacific equity fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Asia Pacific Equity Fund, that aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies which are incorporated, listed in, or have their area of primary activity in the Asia Pacific Region (excluding Japan). This Fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, debt securities convertible into common shares, preference shares, and warrants.

▶ PRUlink global emerging markets dynamic fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Global Emerging Markets Dynamic Fund, that aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities and bonds. This Fund will invest primarily in securities of companies which are incorporated, listed in, operating principally from, carrying on significant business in, derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the emerging markets worldwide. This Fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, preference shares, and warrants.

INVESTMENT REPORT

2015 proved to be an eventful year for global markets. The Morgan Stanley Capital International (MSCI) All Country World index declined by more than 4% in USD terms as equities were roiled by both growth and policy uncertainties in key economies. Equities opened the year up with US markets reaching record highs in the first quarter but quickly lost steam as an anti-austerity government came into power in Greece, US corporate earnings disappointed and economic weakness in emerging economies became more apparent. These compounded anxiety and confusion over the US Federal Reserve's (Fed) policy stance which caused episodic sell-offs and major currency and rates movements.

Much of the year's volatility could be attributed to three main events. First, the global markets struggled to digest the impact of the impending monetary policy divergence. The Fed went ahead with a rate hike just before the year ended. Concurrently, the European Central Bank and Bank of Japan pledged to ease policies further if required. Although the USD gained significantly against the EUR, the JPY held its own due to strong haven demand in the second half of the year. Built-in expectations over the Fed's move also had a profound impact on emerging market currencies throughout the year as capital outflows intensified on USD-denominated debt concerns. In Asia, the Malaysian Ringgit and Indonesian Rupiah were amongst the worst performers, while key BRIC members Brazil and Russia also saw their currencies depreciate significantly against the USD.

Second, the Chinese economy continued its slowdown as the government intensified reforms to reduce overinvestment and graft, while transiting the economy towards a more service-oriented structure. China's clampdown on margin trading and its surprise devaluation of the RMB in the third quarter, caused a massive spike in risk aversion. This led to a sell-off in global equities as investors questioned the true extent of China's slowdown and the possibility of competitive currency devaluations across emerging markets. Botched market interventions to stem equity market losses such as selling restrictions only exacerbated the panic.

Third, commodities across the board plunged to multi-year lows on oversupply and weakening demand from China, driving losses across asset classes in commodity-reliant economies such as Australia and Malaysia. Oil prices ended the year at a decade-low as Organization of the Petroleum Exporting Countries embarked on a price war to maintain its market share amid increasing competition from North American shale producers.

Fixed income performance for the year was subdued, too. US and Japan government bonds eked out small gains for the year while local Asian bonds suffered overall losses for the year due to a combination of rising yields and weakened currencies. Global investment grade bonds[1] lost almost 4% while US high yield[2] was the worst performer, declining around 5%.

On the equity front, Japan outperformed in both USD and local currency terms for the year as corporate profits surprised positively alongside an economy which appears to be on firmer footing. Emerging markets equities suffered steep losses as investors sought safe havens. The MSCI Latin America index retreated around 30% for the year with Brazil, Chile and Colombia responsible for the largest declines. Emerging Asia was not spared as political and economic uncertainties coalesced in Thailand and Malaysia to head losses.

Heading into 2016, investors will focus on the pace of tightening by the US Fed and the transmission effects of the rate hikes. Markets will watch US data closely to anticipate signs of recession which could force the central bank to reverse on its tightening. In Asia, China's growth outlook will continue to dominate but it is useful to note that the likes of India, Philippines, Indonesia, and even Vietnam are likely to embark on a higher growth trajectory that could offer a good diversion. Geopolitics could play a big part in global markets, too. The US presidential election, referendum on the United Kingdom's European Union membership and other leadership transitions will have material consequences while developments in North Korea, the South China Seas, the refugee crisis in Europe and terrorism-related activities could be potential black swan events.

We remain cognizant of the fear surrounding global economic performance in Asia. In these volatile times, it is crucial for investors to review their portfolios to ensure that they are consistent with investment objectives.

Sources:
[1]Barclays Global Aggregate – Corporates
[2]US HY: BofA/Merrill Lynch US HY Constrained

FUND PERFORMANCE REVIEW

▸ PRUlink peso bond fund

The Philippine domestic government bond market posted a marginally positive return of 0.23% (as represented by HSBC Philippines Local Bond index) in 2015, largely due to coupon accrual.

Philippine government bond yields generally followed the trajectory of US Treasuries, which moved higher over the year due to market expectations of a rate hike by the US Federal Reserve.

During the year, the Bangko Sentral ng Pilipinas (BSP) kept policy rates unchanged. For 2015, average inflation was at 1.4%[1], below the government's target range of 2-4%. However, the central bank noted that this was due to the marked decline in global oil prices, and that inflation is expected to rise again in the next two years.

Asset allocation

87.6%
Government bond

8.6%
Corporate bond

3.8%
Quasi government

Performance

Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-0.24%	7.33%	PhP 2.55654

Top five holdings

Philippine government 8.000% 07/19/2031	9.8%
Philippine government 8.125% 12/16/2035	6.8%
Philippine government 6.125% 10/24/2037	5.9%
Philippine government 5.875% 03/01/2032	4.6%
Philippine government 3.875% 11/22/2019	4.6%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

Source:
[1]Bangko Sentral ng Pilipinas, January 2016

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02) 1.00000
Highest (6 May 13) 2.68094
Lowest (24 Sep 02) 1.00000

Performance chart

PRUlink US dollar bond fund

The Philippine US dollar sovereign bond market ended the year with a positive return of 3.2%[2], as proxied by the JP Morgan EMBI Global Philippines index.

Performance of the sovereign bond market was supported by coupon accrual and a slight tightening of spreads, although overall rises in US Treasury (UST) yields mitigated gains. UST yields moved higher over the year amid expectations of a rate hike. As a result, short-term two-year UST yields rose by 38 bps to 1.05%. Yield rises of longer-dated UST were more muted, capped by a subdued inflation outlook and investor demand for higher yielding treasuries. Over the year, the 10-year UST yield rose by 10 bps to 2.27%.

However, although economic data in the US pointed to a sustained expansion of the economy, growth in emerging markets remained sluggish in 2015. Emerging market sovereign credit spreads rose on the whole, but Philippines bucked the trend with a slight tightening of spreads over the year. This reflected a more resilient investor sentiment towards the Philippines, as its economic fundamentals and growth story remain strong.

Performance

Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
1.70%	7.23%	USD 2.40730

Top five holdings

Republic of the Philippines 6.375% 10/23/2034	**12.5%**
Republic of the Philippines 7.750% 01/14/2031	**10.2%**
Republic of the Philippines 9.500% 02/02/2030	**9.3%**
Republic of the Philippines 10.625% 03/16/2025	**8.0%**
Republic of the Philippines 3.950% 01/20/2040	**6.9%**

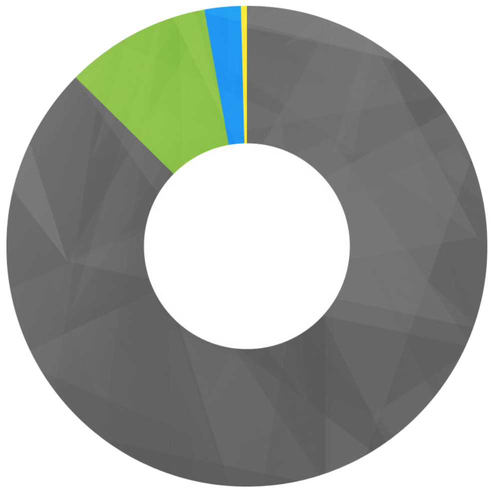
Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (03 Jun 03) 1.00000
Highest (28 Apr 15) 2.47590
Lowest (05 Aug 03) 0.96080

Performance chart

Asset allocation



87.7%
Government bond

9.7%
Quasi government

2.4%
Corporate bond

0.2%
Cash

Source:
[2]Bloomberg, 31 December 2015

PRUlink Asian local bond fund

In 2015, Asian domestic bonds registered overall losses in US dollar terms, as broad underperformance of Asian currencies against the US dollar managed to outweigh gains in the local bond markets. This weakness was due to a combination of a firmer US dollar, expectations for higher US rates, and weaker emerging markets growth especially out of China. The accelerated decline in oil prices and flare-ups in geopolitical risks also contributed to market jitters. Domestic bond markets, conversely, were all positive in local currency terms. Despite market expectations and the eventual implementation of a US Federal Reserve (Fed) rate hike, monetary policies were eased in most Asian economies amid more muted gross domestic product (GDP) and inflation prints in the region. Against this backdrop, government bond yields generally registered declines over the year. India, in particular, outperformed as yields declined amid significant policy rate cuts by the Indian central bank. The Indian bond market also benefitted positively from improving economic fundamentals and resilient market demand.

Performance

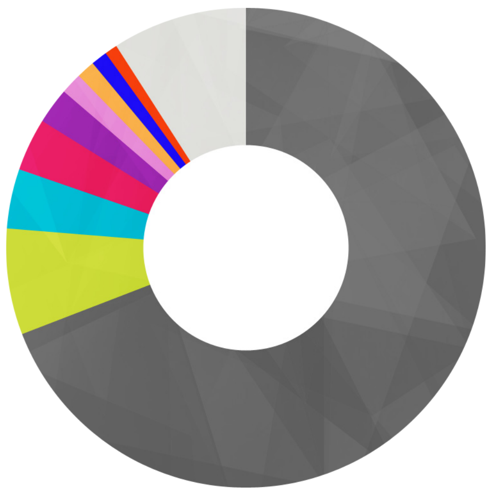
Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-4.98%	-1.60%	USD 0.93885

Top five holdings

Thailand government 3.875% 06/13/2019	2.0%
Philippine government 2.125% 05/23/2018	1.4%
Thailand government 3.650% 12/17/2021	1.4%
Thailand government 3.625% 06/16/2023	1.4%
Indonesia government 8.375% 03/15/2024	1.3%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

Asset allocation



69.2% Government
7.3% Banks
4.0% Diversified finance
3.6% Real estate management and development
2.3% Real estate investment trusts (reits)
1.4% Transport infrastructure
1.3% Government agency
1.1% Diversified telecom
0.9% Electric utilities
8.9% Others

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (31 Jan 12) 1.00000
Highest (9 May 13) 1.07329
Lowest (30 Sep 15) 0.90362

Performance chart

▸ **PRU**link managed fund, **PRU**link proactive fund, and **PRU**link growth fund

Philippine equities declined over 2015, as weakness from Fed uncertainty and weak oil prices were balanced by a lift in Asian equity markets toward the end of the month. Government bond yields also fell, as demand for government paper increased on global uncertainty. Philippine equities remain extremely expensive (one standard deviation above historical average) on multiple valuation measures. Such level of valuation surpasses levels last seen in 1996 and 2007, before significant sell-offs (more than 50%) during periods of global risk aversion. With Philippine equities trading at such elevated valuations, they offer extremely little margin of safety against any external shock and rise in global risk aversion, Philippine equities appear to be priced for perfection. The fund manager acknowledges the fiscal and macroeconomic fundamentals, but these positives are likely to be fully reflected in Philippine equities valuations as it is one of the more expensive equity market globally.

In such a scenario, local equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much cheaper levels. Headline inflation remains below BSP's target range on low prices for energy and transportation, while Core CPI inflation rose to 2.1% in December, remaining largely benign. This is still supportive of government bond prices. Thus, the fund targets an underweight in equities and an overweight in Bonds.

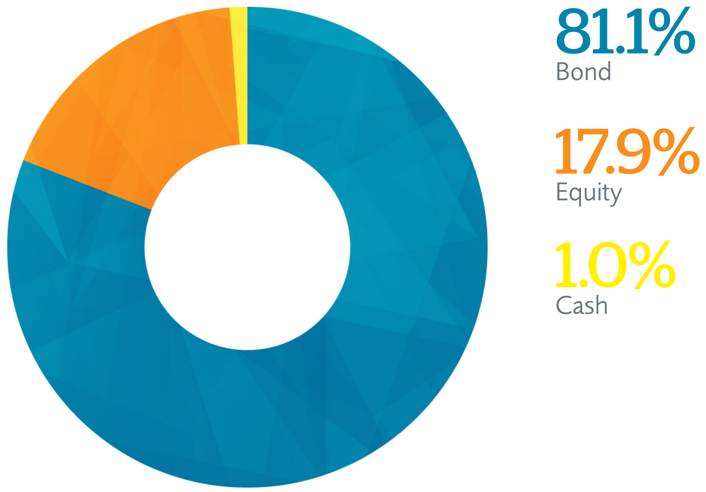
Performance

PRUlink funds	Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
PRUlink managed fund	-1.69%	8.70%	PhP 3.02217
PRUlink proactive fund	-4.18%	11.07%	PhP 2.05643
PRUlink growth fund	-4.37%	13.22%	PhP 3.66140

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016.
Past performance is not necessarily indicative of the future or likely performance of the fund.

PRUlink managed fund

Asset allocation

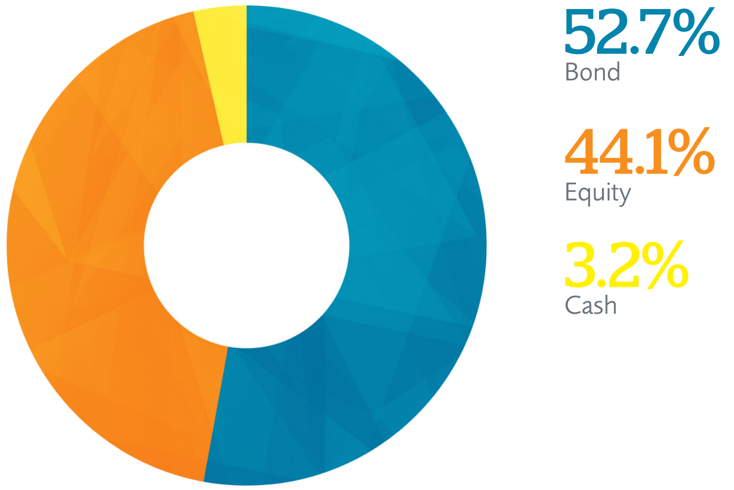


HIGHEST AND LOWEST UNIT PRICE ACHIEVED
Initial (24 Sep 02) 1.00000
Highest (03 Feb 15) 3.20894
Lowest (23 Oct 02) 0.99568

Performance chart

PRUlink proactive fund

Asset allocation

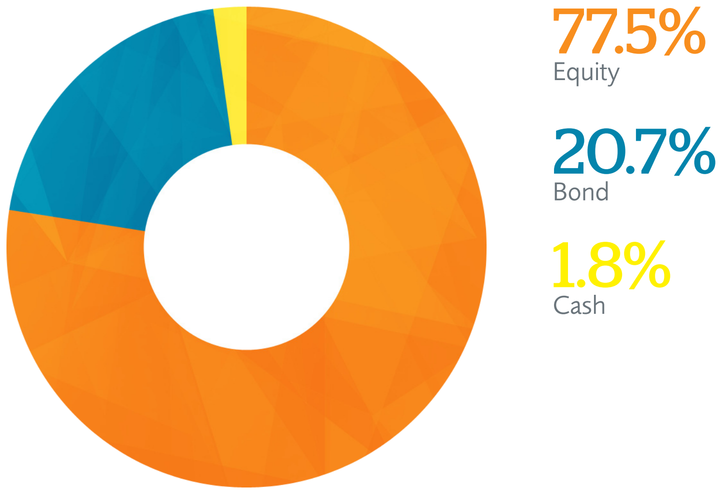


HIGHEST AND LOWEST UNIT PRICE ACHIEVED
Initial (17 Feb 09) 1.00000
Highest (13 Apr 15) 2.26471
Lowest (3 Mar 09) 0.99950

Performance chart

PRUlink growth fund

Asset allocation



HIGHEST AND LOWEST UNIT PRICE ACHIEVED
Initial (19 Jul 05) 1.00000
Highest (13 Apr 15) 4.21563
Lowest (28 Oct 08) 0.99584

Performance chart

PRUlink cash flow fund

2015 ended with caution as the Fed rate hike was greeted with relief and also confusion. There was turmoil in the US high yield bond market on liquidity concerns, while oil prices continued to fall on the back of a dysfunctional Organization of the Petroleum Exporting Countries (OPEC) and soft demand. The US labor market surprised on the upside while the Chinese economy continued its soft descent. Locally, Philippine equities ended December flat, as weakness from Fed uncertainty and weak oil prices were balanced by a lift in Asian equity markets toward the end of the year. Government bond yields also fell, as demand for government paper increased on global uncertainty.

Performance

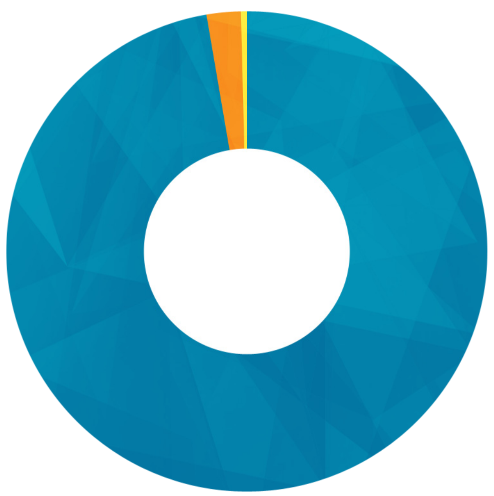
Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-9.55%	-9.74%	USD 0.89122

Top five holdings

Eastspring Investments - US High Yield Bond Fund D	50.3%
Eastspring Investments - Asian Bond Fund D	47.0%
Eastspring Investments - World Value Equity Fund D	2.5%
Tradeable United States Dollar - Currency	0.2%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

Asset allocation



97.3%
Bond

2.5%
Equity

0.2%
Cash

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (17 Nov 2014) 1.00000
Highest (29 Apr 2015) 1.01016
Lowest (04 Jan 2016) 0.89122

Performance chart

PRUlink equity fund

The Philippine Stock Exchange Index ended 2015 lower by 3.9%[5], in local currency terms. Risk aversion spiked in the second half of 2015, prompting investors to take profits from Philippine equities, which had risen for six consecutive years to the end of 2014.

Despite a muted performance in equities, the country continued enjoying strong economic growth and benign inflation on the back of low oil prices. The country's GDP expanded by 6.3% in the fourth quarter of 2015 as compared to the year before. The growth rate for the full year of 2015 was a healthy 5.8%, albeit lower than the 6.1% in 2014. For the full year, private consumption was up 6.2% from a year ago, while government spending grew a robust 9.4%.

Performance

Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-4.69%	9.52%	PhP 2.10546

Top five holdings

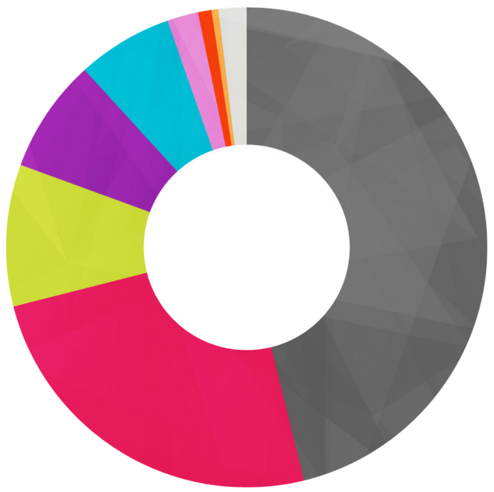
SM Investments Corporation	**9.5%**
Ayala Land, Inc.	**8.3%**
Philippine Long Distance Telephone Co.	**6.7%**
SM Prime Holdings, Inc.	**5.4%**
Ayala Corporation	**5.4%**

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (23 Oct 07) 1.00000
Highest (13 Apr 15) 2.50056
Lowest (28 Oct 08) 0.42505

Sector allocation



46.2%
Financials

24.9%
Industrials

9.5%
Utilities

7.8%
Telecommunication services

6.4%
Consumer staples

2.1%
Consumer discretionary

0.9%
Materials

0.4%
Information technology

1.8%
Others

Source:
[5]Bloomberg, 31 December 2015

Performance chart

PRUlink Asia Pacific equity fund

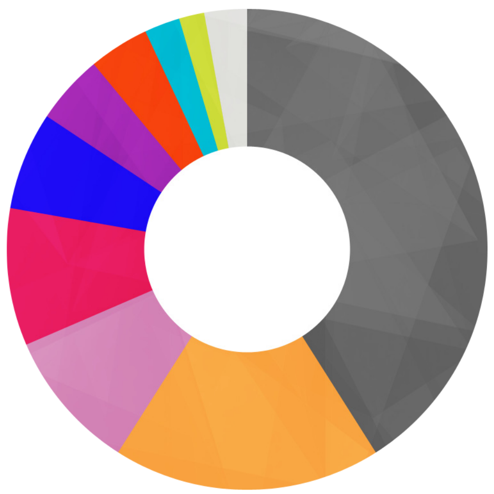
The year started brightly on the back of some positive corporate earnings and hopes of additional monetary stimulus from major central banks. Chinese equities also advanced as authorities eased monetary policy and encouraged stock buying in the first half of the year. Sentiments turned sharply in the second half as the sustained commodity rout threatened the growth and fiscal health of many emerging economies. The unexpected devaluation of the Yuan sparked a global sell-off as serious concerns emerged over growth outlooks and the potential for competitive devaluations across emerging markets amid a looming rate hike in the US. Market interventions by the Chinese government to prop up its equity markets only compounded the level of risk aversion. The fourth quarter brought some relief, as strong US economic data convinced the Fed to raise rates, while other central banks generally maintained accommodative policies.

Malaysia and Thailand were the worst performing markets for the year. The 1MDB scandal triggered infighting within the government and destabilized investor confidence in the Najib administration despite robust economic performance, leading to a sharp decline of the Ringgit that was exacerbated by crude oil's rout. In Thailand, political constraints continue to hinder a sustained economic recovery, as elections are postponed until at least 2017. The lack of political clarity has damaged business confidence in the country and blunted the impact of aggressive interest rate cuts by the Bank of Thailand. Hong Kong outperformed its peers in USD terms, largely due to its currency peg to the greenback as regional currencies faltered. Meanwhile, India also outperformed, as the acceleration of reforms across tax, labour and land sectors, as well as corporate and banking sector reforms, should ensure that its strong growth trajectory remains sustainable going forward.

Performance

Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-18.50%	-6.91%	USD 0.81611

Sector allocation



41.0% Financials
18.0% Information technology
9.6% Consumer discretionary
9.4% Industrials
6.6% Energy
4.6% Telecommunication services
4.0% Materials
2.5% Consumer staples
1.6% Utilities
2.7% Others

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (26 Feb 13) 1.00000
Highest (05 Sep 14) 1.10429
Lowest (25 Aug 15) 0.78168

Top five holdings

Samsung Electronics	5.0%
Taiwan Semiconductor Manufacturing	4.4%
Australia and New Zealand Banking Group	3.8%
National Australia Bank	3.4%
China Construction Bank	3.2%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

Performance chart

PRUlink global emerging markets dynamic fund

Market volatility picked up throughout the period under review, and emerging markets have been particularly sensitive to the macro news flow and swings in market sentiment. Emerging markets are now hovering towards the lower end of the past five-year range.

Along with concerns for global growth, investors in emerging markets continued to worry about the impact of the first US interest rate hike in nine years, the capitulation in commodity prices, as well as the Chinese equity markets' tumultuous path and the government's policy response. Continued weak demand for oil and other commodities, particularly from Asia, combined with higher OPEC production, impacted oil prices which have reached new lows. Additionally, higher refinancing risk for emerging market corporate debt and sizeable outflows from both emerging market debt and equity markets lead to further slides in emerging market currencies which had a significant impact on investment returns in hard currencies. In 2015, the Brazilian Real lost 33% of its value, the South African Rand fell 25% and the Turkish Lira declined 20%. Higher volatility is increasing risk perceptions and selling pressure in a feedback loop. In 2015, EM equity fund redemptions totalled USD 73 billion, the worst year on record and three times the 2014 outflows.

Amid rising global risk aversion and volatility, the market held a narrowing focus for companies with shorter-term earnings visibility. We observed the market overpaying for companies that were perceived to be defensive in nature, such as consumer staples. It is this kind of market behavior which can create big price opportunities for our approach to exploit – where an asset becomes significantly mispriced compared to the level of sustainable earnings it can generate. Investment time frames are an important consideration in exploiting this kind of market volatility.

The macro and geopolitical risks confronting emerging countries, including US monetary policy normalization, a slowdown in Chinese growth and low commodity prices, are well appreciated by the market, which as a result trades at a significant discount to history. In addition, the valuation gap between cheap and expensive stocks within the emerging market universe remains very high. We believe that market fear and greed can drive shorter-term overreactions in prices. We may see such episodes as opportunities to buy more shares in companies we have identified as fundamentally mispriced, and believe the market will eventually come to appreciate such companies, which are undervalued today. Nonetheless the emerging market universe is expected to remain challenging in the near term.

Sector allocation

32.9% Financials

22.5% Information technology

8.9% Energy

7.6% Consumer discretionary

6.8% Utilities

4.9% Telecommunication services

4.8% Consumer staples

4.7% Industrials

3.8% Materials

3.1% Others

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (01 Apr 2014) 1.00000
Highest (04 Sep 2014) 1.10986
Lowest (25 Aug 2015) 0.70322

Performance

Actual year-on-year Jan 5, 2015 - Jan 4, 2016	Since inception (per annum)	Unit price as of Jan 4, 2016
-17.33%	-15.33%	USD 0.74800

Top five holdings

China Construction Bank - H	4.0%
Taiwan Semiconductor Manufacturing	4.0%
Industrial & Commercial Bank of China - H	3.8%
Hon Hai Precision Industry	3.2%
Dongfeng Motor Group Co Ltd - H	2.8%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 4, 2016. Past performance is not necessarily indicative of the future or likely performance of the fund.

FUND MANAGERS' PROFILES

Chow Wing Kin

Chartered Financial Analyst
Investment Director –
Equity

Wing Kin is the manager of PRUlink equity fund. Wing Kin is the team leader of the ASEAN focus team and joined Eastspring Investments in 1999. Wing Kin is also the lead manager for the ASEAN, Indonesia, and Philippines equity strategies.

Previously, Wing Kin was an investment analyst at The Insurance Corporation of Singapore. All in all, Wing Kin has over 20 years of investment experience.

Wing Kin holds a Bachelor of Business degree from Nanyang Technological University, Singapore.

Low Guan Yi

Chartered Financial Analyst
Investment Director –
Fixed Income

Guan Yi is the manager of PRUlink bond fund and PRUlink Asian local bond fund. Guan Yi has 18 years of investment experience in Asian fixed income. She joined Eastspring Investments (Singapore) Limited in 2007 and is responsible for the Pan-Asian local currency bond portfolios, as well as single-country Philippines and Thai bond portfolios. Guan Yi was previously a portfolio manager at Bank Pictet et Cie Asia Ltd, where she helped launch and manage the Asian local currency fund. Prior to that, she was managing Asian local currency and credit portfolios at Fullerton Fund Management Company and at Standard Chartered Bank Singapore. She holds a Bachelor of Business degree from Nanyang Technological University, Singapore and is a Chartered Financial Analyst charterholder (2001).

Leong Wai Mei

Certified Public Accountant
Investment Director –
Fixed Income

The PRUlink US dollar bond fund is managed by Wai Mei who has 16 years of investment experience. She currently holds a dual role as a credit manager (with credit research responsibilities and the oversight of the credit team), as well as a lead manager for the Asian High Yield and single-country Philippines US dollar bond portfolios. Wai Mei has worked for 16 years in various capacities in relation to credit, including holding positions as Senior Analyst at the Bank of Nova Scotia Asia Ltd, Commerce International Merchant Bankers (CIMB), Malaysia, and ABN AMRO Bank, Singapore. She holds a Postgraduate Diploma (Finance) from Melbourne University and Bachelor of Business (Accounting) degree from RMIT university, Australia. She is a Certified Public Accountant (1996).

Phua Zhenghao

Chartered Financial Analyst
Portfolio Manager –
Global Asset Allocation

The PRUlink managed fund, PRUlink proactive fund, PRUlink growth fund and PRUlink cash flow fund are managed by Zhenghao. He joined Eastspring Investments in September 2010 as Junior Portfolio Manager in the Global Asset Allocation Team. In his current role, Zhenghao is responsible for the management of various Asian balanced funds and global multi-asset portfolios. In addition, Zhenghao is responsible for asset class research, investment modeling, and asset allocation tools, with an in-depth focus on macroeconomics. Prior to joining Eastspring Investments, Zhenghao was Asset Allocation Research Analyst with UOB Asset Management in Singapore, and was responsible for strategic and tactical asset allocation research. Zhenghao is a Chartered Financial Analyst charterholder and has eight years of investment experience. Zhenghao graduated from National University of Singapore in 2008 with a Bachelor of Business Administration (Honours) degree.

Andrew Cormie

Chartered Financial Analyst
Portfolio Manager –
Equity

PRUlink Asia Pacific equity fund and PRUlink global emerging markets (GEM) dynamic fund are managed by Andrew Cormie. Andrew joined Eastspring Investments in 2008. Andrew is the team leader for the GEM focus team as well as a member of the Regional Asia focus team. He is also the lead manager for the Asia Pacific equity strategy as well as GEM dynamic fund.

Andrew began his investment career in 1982 with National Mutual Life Association. He then worked as an equity dealer for JP Morgan Investment Management, Melbourne in 1984 and became their Director, responsible for Australian Equity and Balance business three years later. In 1997, Andrew became the Head of Global Equity Team of JP Morgan Investment Management, London. Andrew was the founding partner and Director of Voyager Funds Management Pty Limited between 2006 and 2007. In all, Andrew has over 34 years of investment experience.

Andrew is a Chartered Financial Analyst charterholder and holds a bachelor degree in Business Administration from Griffith University, Brisbane and a diploma from Securities Institute of Australia.

CORPORATE GOVERNANCE

I. Board of Directors

In the Annual Shareholders' Meeting of Pru Life Insurance Corporation of U.K. ("Pru Life UK") held on 30 June 2015, the following were elected as members of the Board of Directors for the year 2015 to 2016 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera
Independent Chairman of the Board of Directors

Age: 56 years old

Date of first appointment:
17 June 2010 as Board Member
23 August 2012 as Chairman of the Board

Length of service: 6 years

Directorship in other listed companies:
None

Qualifications:
Henry is a Statistics cum laude and Master of Business Administration graduate of the University of the Philippines, and has accomplished courses at the Asian Institute of Management, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics degree major in Actuarial Services from the University of the Philippines.

Henry is the first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni Award also in the same year.

Henry is a Fellow of the Actuarial Society of the Philippines and a member of the International Actuarial Association.

Relevant experience:
Henry's experience in the insurance industry spans over 30 years. He was President and Chief Executive Officer (CEO) of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Henry's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994. Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations. Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Stephen Paul "Steve" Bickell
Non-executive Board Member

Age: 51 years old

Date of first appointment:
5 June 2008

Length of service: 8 years

Directorship in other listed companies:
None

Qualifications:
Steve graduated with a Diploma of Business Studies from the Waltham Forest College of Higher Education.

Relevant experience:
Steve is the Chief Risk Officer of Prudential Corporation Asia, the regional headquarters of Pru Life UK. He has worked in Prudential since 1979 in various capacities, holding positions as Director of Tax & Compliance and Corporate Affairs Director, among others.

3. Lilian Lup-Yin Ng*
Non-executive Board Member

Age: 49 years old

Date of first appointment:
24 February 2011

Length of service: 5 years

Directorship in other listed companies:
None

Qualifications:
Lilian graduated from Macquarie University in Sydney, Australia with a Bachelor's degree in Economics and is a Fellow of the Institute of Actuaries of Australia.

Relevant experience:
Lilian is the Chief Executive for Insurance of Prudential Corporation Asia (PCA). She has been affiliated with Prudential since 1994, serving in various positions, among others, as Chief Financial Officer of Prudential Assurance Co., Ltd. (Hong Kong branch) and Regional Director and Chief Operating Officer for Insurance at PCA.

**Lilian resigned as member of the Board effective 24 August 2015.*

4. Azim Khursheid Ahmed Mithani**
Non-executive Board Member

Age: 44 years old

Date of first appointment:
26 August 2015

Length of service: Newly appointed

Directorship in other listed companies:
None

Qualifications:
Azim earned his Bachelor's degree with first class honors in Physics from the University of Durham in England, United Kingdom (UK). He is also a Fellow of the Institute of Actuaries and has a diploma in Islamic Finance from the Chartered Institute of Management Accountants in the UK.

Relevant experience:
Azim is the Chief Operating Officer for Insurance of Prudential Corporation Asia. He previously served as Chief Executive Officer of Prudential BSN Takaful Berhad.

*** In the Regular Meeting of the Board of Directors of Pru Life UK held on 26 August 2015, Azim was elected as a member of the Board of Directors to replace Lilian with effect from 26 August 2015 to 2016 and until his successor shall have been duly elected and qualified.*

5. Antonio Manuel "Jumbing" G. De Rosas

Executive Board Member

Age: 50 years old

Date of first appointment:
7 December 2010

Length of service: 6 years

Directorship in other listed companies:
None

Qualifications:
Jumbing completed his Bachelor of Science in Business Administration major in Accounting degree (Summa Cum Laude) at the University of San Francisco in the United States, and Master of Business Economics degree at the University of Asia and the Pacific.

In 2012, Jumbing became the first Filipino in the Philippines to receive the Chartered Global Management Accountant designation from the American Institute Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants. He is licensed by AICPA, a fellow of the Hong Kong Institute of Certified Public Accountants, and a Certified Information Systems Auditor.

Relevant experience:
Jumbing joined Pru Life UK in 2007 as General Manager and Chief Financial Officer (CFO) and assumed the top post of President and Chief Executive Officer in 2010.

Jumbing worked in Hong Kong with consulting firms Arthur Andersen & Company and Ernst & Young, and Asia Commercial Bank, where he eventually became CFO. He moved to Manila in 1997 as Senior Vice President, CFO, and Treasurer of Nippon Life Insurance Company of the Philippines, Inc. before joining Pru Life UK.

6. Cesar P. Manalaysay

Independent Board Member

Age: 67 years old

Date of first appointment:
2 August 2006

Length of service: 10 years

Directorship in other listed companies:
None

Qualifications:
Cesar received both his Bachelor of Arts and Bachelor of Laws degrees from the Ateneo de Manila University, and received his Master of Laws degree from the Boalt Hall School of Law at the University of California, Berkeley.

Cesar is a member of the Integrated Bar of the Philippines, Philippine Bar Association, and Rotary Club of Manila (Paul Harris Fellow).

Relevant experience:
Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He is a member of the Board of Directors or an officer of various companies.

7. Jose "BoyF" A. Feria, Jr.

Non-executive Board Member

Age: 67 years old

Date of first appointment:
17 January 1996 to December 1997;
re-appointed in July 2003

Length of service: 14 years

Directorship in other listed companies:
Liberty Flour Mills, Inc.

Qualifications:
BoyF earned a double degree of Bachelor of Science in Business Administration and Bachelor of Arts in Economics at the De La Salle University. He received his Bachelor of Laws degree at the University of Santo Tomas. He is a member of the Integrated Bar of the Philippines.

BoyF served as President of the Philippine Bar Association, which is the oldest voluntary national organization of lawyers in the Philippines.

Relevant experience:
BoyF is a senior partner of Feria Tantoco Robeniol Law Office. He is concurrently Chairman, Director, and Corporate Secretary of several companies in various industries in the Philippines.

8. Romerico "Romy" S. Serrano

Independent Board Member

Age: 65 years old

Date of first appointment:
2 August 2006

Length of service: 10 years

Directorship in other listed companies:
None

Qualifications:
Romy received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/ International Senior Managers Program at the Harvard Business School in Boston.

Relevant experience:
Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc. - South Asia, among others.

II. Training and continuing education programme of directors

For the year 2015, the training and continuing education programme attended by the directors were as follows:

Director	Training and continuing education programme attended
1. Henry Joseph M. Herrera 2. Stephen Paul Bickell 3. Azim Khursheid Ahmed Mithani 4. Cesar P. Manalaysay 5. Jose A. Feria, Jr. 6. Romerico S. Serrano	Board Education Session held on 26 August 2015 where the following topics were presented: - Human Resources and Succession Planning - Update on Prudential plc - Update on Prudential Corporation Asia
7. Antonio Manuel G. De Rosas	Asia-Pacific Economic Cooperation (APEC) 2015 CEO Summit Philippines held on 16 to 18 November 2015 where the following topics were presented: - Celebrating the Asia Pacific - APEC's Inclusive Growth Imperative - Focus on the New Global Context - Focus on Innovation and Entrepreneurship - Focus on Asia Pacific Growth - Focus on Human Capital - Focus on Cities - Focus on Inclusive Growth and Building Resilience - Focus on Trade

In addition, Stephen Paul Bickell also attended the following:

Date	Training and continuing education programme attended
4-5 February 2015	Regional Information Risk Conference in South Korea by Prudential Corporation Asia
1 April 2015	Global Risk Forecast 2015 in Hong Kong by the British Chamber of Commerce
15-17 April 2015	Investment Risk & Compliance Workshop in Hong Kong by Eastspring Investments (Sg) Ltd
23 April 2015	Fraud Risk Management Event in Hong Kong by PricewaterhouseCoopers
24 April 2015	Global Tax Conference 2015 in Hong Kong by Deloitte Touche Tohmatsu Limited
22 May 2015	Business Continuity Conference in Thailand by Prudential Corporation Asia
29 May 2015	Regional Compliance Conference in Hong Kong by Prudential Corporation Asia
9-10 June 2015	Global Compliance Conference in Singapore by Prudential Corporation Asia
21 July 2015	Data Privacy Regulation in Asia in Hong Kong by Hogan Lovells
8 September 2015	Standard & Poors Risks and Rewards in Volatile Times in Hong Kong by Standard & Poor's Financial Services LLC
28-29 October 2015	Group Risk Conference 2015 in the United States by Prudential plc
3-4 November 2015	Tax Conference in Thailand by Prudential plc

Azim Khursheid Ahmed Mithani also attended the InsuranceCom, Insurers in Asia – Winning Strategies in Digital Age on 10 November 2015.

III. Board meetings

For the year 2015, the Board of Directors of Pru Life UK held six (6) board meetings. Below are the details of the attendance of the directors in said meetings:

	Date and type of board meeting	Directors present in the board meeting	Directors absent in the board meeting
1.	Regular meeting of the Board of Directors held on 24 March 2015	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	None
2.	Special meeting of the Board of Directors held on 23 April 2015	Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. De Rosas Jose A. Feria, Jr.	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano
3.	Organizational meeting of the Board of Directors held on 30 June 2015	Henry Joseph M. Herrera Stephen Paul Bickell Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	Lilian Lup-Yin Ng
4.	Regular meeting of the Board of Directors held on 26 August 2015	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Jose A. Feria, Jr. Antonio Manuel G. de Rosas Cesar P. Manalaysay Romerico S. Serrano	None
5.	Special Board of Directors Education Session held on 26 August 2015	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Jose A. Feria, Jr. Cesar P. Manalaysay Romerico S. Serrano	Antonio Manuel G. De Rosas
6.	Regular meeting of the Board of Directors held on 26 November 2015	Henry Joseph M. Herrera Stephen Paul Bickell Antonio Manuel G. De Rosas Jose A. Feria, Jr. Cesar P. Manalaysay Romerico S. Serrano	Azim Khursheid Ahmed Mithani

Board Member	Percentage of attendance***
Henry Joseph M. Herrera	83%
Stephen Paul Bickell	100%
Antonio Manuel G. De Rosas	83%
Cesar P. Manalaysay	83%
Jose A. Feria, Jr.	100%
Romerico S. Serrano	83%

**** Lilian Lup-Yin Ng served as director only until 24 August 2015 while Azim Khursheid Ahmed Mithani served as director only from 26 August 2015.*

IV. The Nomination Committee

In the Organizational Board of Directors' Meeting held on 30 June 2015, the following were elected as members of the Nomination Committee for the year 2015 to 2016 and until their successors shall have been duly elected and qualified:

Cesar P. Manalaysay – Independent Chairman
Henry Joseph M. Herrera – Independent Member
Stephen Paul Bickell – Non-executive Member

For the year 2015, the Nomination Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

Date and type of Nomination Committee meeting	Members present in the Nomination Committee meeting	Members absent in the Nomination Committee meeting
1. Regular meeting held on 24 March 2015	Cesar P. Manalaysay Stephen Paul Bickell Henry Joseph M. Herrera	None
2. Regular meeting held on 26 November 2015	Cesar P. Manalaysay Stephen Paul Bickell Henry Joseph M. Herrera	None

Nomination Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Stephen Paul Bickell	100%
Cesar P. Manalaysay	100%

V. The Remuneration Committee

In the Organizational Board of Directors' Meeting held on 30 June 2015, the following were elected as members of the Remuneration Committee for the year 2015 to 2016 and until their successors shall have been duly elected and qualified:

Lilian Lup-Yin Ng – Non-executive Co-Chairwoman
Romerico S. Serrano – Independent Co-Chairman
Henry Joseph M. Herrera – Independent Member

On 24 August 2015, Ms. Lilian Lup-Yin Ng resigned as co-chairwoman of the Remuneration Committee. In the Regular Board of Directors' Meeting held on 26 August 2015, Mr. Azim Khursheid Ahmed Mithani was elected as Co-Chairman of the Remuneration Committee.

For the year 2015, the Remuneration Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

Date and type of Remuneration Committee meeting	Members present in the Remuneration Committee meeting	Members absent in the Remuneration Committee meeting
1. Regular meeting held on 24 March 2015	Romerico S. Serrano Lilian Lup-Yin Ng Henry Joseph M. Herrera	None
2. Regular meeting held on 26 November 2015	Romerico S. Serrano Henry Joseph M. Herrera	Azim Khursheid Ahmed Mithani

Remuneration Committee member	Percentage of attendance****
Romerico S. Serrano	100%
Henry Joseph M. Herrera	100%

***** Lilian Lup-Yin Ng served as Non-executive Co-Chairwoman only until 24 August 2015 while Azim Khursheid Ahmed Mithani served as Non-executive Co-Chairman only from 26 August 2015.*

VI. The Audit Committee

In the Organizational Board of Directors' Meeting held on 30 June 2015, the following were elected as members of the Audit Committee for the year 2015 to 2016 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera

Independent Chairman of the Audit Committee

Qualifications:
Henry is a Statistics cum laude and Master of Business Administration graduate of the University of the Philippines, and has also accomplished courses at the Asian Institute of Management, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics major in Actuarial Services from the University of the Philippines.

Henry is the first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni Award also in the same year.

Henry is a Fellow of the Actuarial Society of the Philippines and a member of the International Actuarial Association.

Relevant experience:
Henry's experience in the insurance industry spans over 30 years. He was President and Chief Executive Officer (CEO) of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Henry's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994. Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations. Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Stephen Paul "Steve" Bickell

Non-executive Member of the Audit Committee

Qualifications:
Steve graduated with a Diploma of Business Studies from the Waltham Forest College of Higher Education.

Relevant experience:
Steve is the Chief Risk Officer of Prudential Corporation Asia (PCA). He has worked in Prudential since 1979 in various capacities, holding positions as Director of Tax & Compliance and Corporate Affairs Director, among others.

3. Cesar P. Manalaysay

Independent Member of the Audit Committee

Qualifications:
Cesar received both his Bachelor of Arts and Bachelor of Laws degrees from the Ateneo de Manila University, and received his Master of Laws degree from the Boalt Hall School of Law at the University of California, Berkeley.

Cesar is a member of the Integrated Bar of the Philippines, Philippine Bar Association, and Rotary Club of Manila (Paul Harris Fellow).

Relevant experience:
Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He is a member of the Board of Directors or an officer of various companies.

4. Romerico "Romy" S. Serrano

Independent Member of the Audit Committee

Qualifications:
Romy received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/International Senior Managers Program at the Harvard Business School in Boston.

Relevant experience:
Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc. - South Asia, among others.

For the year 2015, the Audit Committee of Pru Life UK held four (4) meetings. Below are the attendance details of each of its members in the said four (4) meetings:

	Date and type of Audit Committee Meetings	Members present in the Audit Committee meeting	Members absent in the Audit Committee meeting
1.	Regular meeting of the Audit Committee held on 24 March 2015	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
2.	Regular meeting of the Audit Committee held on 30 June 2015	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
3.	Regular meeting of the Audit Committee held on 26 August 2015	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
4.	Regular meeting of the Audit Committee held on 26 November 2015	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None

Audit Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Stephen Paul Bickell	100%
Romerico S. Serrano	100%
Cesar P. Manalaysay	100%

VII. External auditor

In the Audit Committee Meeting of Pru Life UK held on 30 June 2015, the Audit Committee endorsed to the Shareholders of Pru Life UK the appointment of R.G. Manabat & Co. as external auditor for the audit year 2015. In the Annual Meeting of the Shareholders of Pru Life UK held on 30 June 2015, R.G. Manabat & Co. was appointed as the external auditor for the audit year 2015. None of the directors and senior management of Pru Life UK were former employees and partners of R.G. Manabat & Co. for the past two (2) years.

For the year 2015, Pru Life UK paid R.G. Manabat & Co. a total of one million six hundred thirteen thousand eight hundred fifty pesos (PhP 1,613,850) for audit fees, exclusive of out-of-pocket expenses and twelve percent (12%) value added tax. As a general professional partnership, the income payments to R.G. Manabat & Co. are exempt from withholding tax.

No non-audit fees were paid to R.G. Manabat & Co. for the year 2015.

VIII. Dividend policy

Pru Life UK pays dividends when it has profit, positive liquidity position and regulatory requirements on solvency are met.

IX. Compliance and risk management

Pru Life UK's Board Audit Committee (AC) provides the risk oversight roles at board level, including reviewing the framework and effectiveness of the Company's system of internal control, seeking assurance from Management that they have performed their duty in respect of their application of the Prudential Group Risk Framework, and reviewing approvals for deviations from any regional policies and reviewing management's and the external and internal auditors' reports on the effectiveness of systems for internal control, financial reporting, and risk management. The risk oversight by the AC is mainly supported by the Chief Executive Officer (CEO), Chief Risk Officer, the risk and compliance function, and the executive level Risk Committee. The reporting and discussion on the risk management and compliance forms part of the standing agenda of the AC.

For the year 2015, (a) the Board of Directors conducted a review of Pru Life UK's material controls (including operational, financial, and compliance controls) and risk management systems; and (b) the President and CEO of Pru Life UK presented to the Audit Committee and the Board of Directors the Annual Statement of Compliance and the Head of Department Sign-Off for the year 2015 which showed Pru Life UK's compliance, in all material respects, with the risk management policies.

For the year 2015, (a) the Board of Directors confirmed the adequacy of Pru Life UK's internal controls/risk management systems; and (b) the President and CEO of Pru Life UK presented to the Audit Committee and the Board of Directors the Annual Statement of Compliance and the Head of Department Sign Off for the year 2015 which showed Pru Life UK's compliance, in all material respects, with the risk management policies.

X. Whistle blowing policy

For concerns and complaints on possible violation of rights and illegal (including corruption) and unethical behavior, please contact us using the details below. All concerns/complaints and any information given will be treated in confidence and every effort will be made not to reveal your identity if that is your wish.

Head Office address:
9/F Uptown Place Tower 1, 1 East 11th Drive,
Uptown Bonifacio, 1634 Taguig City, Metro Manila,
Philippines

Telephone numbers:
(632) 887 LIFE (887 5433) for Metro Manila or
1 800 10 PRULINK (1 800 10 7785465)
for domestic toll-free (press 4)

E-mail address:
contact.us@prulifeuk.com.ph

XI. Code of corporate governance

As part of the Prudential Group, Pru Life UK is required to comply with the Prudential Group Corporate Governance standard. The Company runs an annual self-certification exercise (Turnbull*) to ensure compliance with the governance manual. The CEO of Pru Life UK presented to the 2015 Board Audit Committee the Annual Statement of Compliance including the Prudential Group corporate governance standard which showed Pru Life UK's compliance, in all material respects, with the Corporate Governance standard.

"Turnbull" is the annual certification of compliance with governance, risk management, and internal control requirements including Principle C2 of the UK Corporate Governance Code and Section 302 of the Sarbanes Oxley Act 2002 ("SOx").

RISK MANAGEMENT

(KEY RISKS)

Pru Life UK, as part of Prudential plc, generates shareholder value by selectively taking exposure to risks which can be appropriately quantified and managed, and where the risk is adequately rewarded. The approach is to retain risks where doing so contributes to value creation, to the extent that the Company is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes, controls, and capital to appropriately manage the risk.

Risk Management System

Pru Life UK complies with the Prudential plc Enterprise risk management system which includes Risk Governance, Risk Framework, Risk Appetite and Limit, and the Risk Management Process.

Pru Life UK regards risk as the uncertainty that the Company faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts, or omissions that have the potential to threaten the success and survival of the Company. As such, material risks will be retained only where this is consistent with the Prudential Group Risk Appetite and the Group's philosophy towards risk-taking.

The Risk Framework requires Pru Life UK to establish processes for identifying, evaluating, and managing the key risks based on "three lines of defense" model which comprises of risk-taking and management, risk control and oversight, and independent assurance. The independent risk control and oversight function is supported by the risk management and compliance function lead by the Chief Risk Officer (CRO) who directly reports to Pru Life UK's Chief Executive Officer (CEO) with dotted reporting line to the Prudential Corporation Asia (PCA) CRO. The Pru Life UK Risk Committee is the key governance forum chaired by its CEO, facilitated by the CRO, and supported by the senior management team as members of the Committee. The key risks that the Company is exposed to and any key issues arising from the Risk Committee are required to be escalated to the Board Audit Committee and an appropriate PCA Risk forum. The Pru Life UK CRO is a member of various key business decision committees including Investment Committee, Product Steering Committee, Claim Committee, and Persistency Committee.

The Risk Appetite and Limit defines the extent to which Pru Life UK is willing to take risk in pursuit of its objective to create shareholder value, taking into account the policyholders and other stakeholders' interest. It is defined by a number of risk appetite statements, operationalized through measures such as limits, triggers, and indicators. Aggregate risk limits are defined and monitored based on financial and non-financial stresses for our earnings volatility, liquidity, and capital requirements as well as limit on the counterparty and credit exposure. There is no appetite for material losses (direct or indirect) suffered as a result of failing to develop, implement, and monitor appropriate controls to manage operational risks.

The risk management process includes Risk identification (including down, bottom up, and emerging risk identification), Risk measurement and assessment (including Solvency II Economic Capital, Local Capital, Earning volatility, Liquidity, emergence of experience), Risk monitoring and reporting (Risk Committee), and Risk management and control (including Risk Appetite and limits, Large Risk Approval Process, Reverse Stress Testing, Risk Based Decision Making). The risk management process is embedded in the key business activities.

Key risk exposure and mitigating actions

The key risks inherent in the insurance management operation include investments made to support the insurance product liabilities, the products offered, and business operations.

Risks from investments could arise from the uncertainty of investment returns, including fluctuation in equity prices, interest rates, and defaults of credit instruments. Unit-linked products are exposed to equity risk, as the revenue is linked to funds under management. Traditional products are exposed to interest rate risks arising from asset liability mismatch. Mitigating actions include market risk policies, risk appetite statements, limits and trigger, reporting of the regular management information, appropriate strategic asset allocation, which matches the liabilities profile and the oversight provided by the investment committee.

Risks arising from products offered include higher than expected i) mortality or morbidity claims, ii) policyholders surrender, or iii) incurred expenses for launching and administrating the policies. The risks are mainly mitigated by robust governance and oversight on the product development and the approval process, adequate training and sales process, appropriate underwriting and claim process, proper risk transfer arrangement, ability to re-price, disciplined expense management, post-sale regular experience monitoring, and the investigation.

Risks from business operation could arise from failure to comply with the ever evolving regulatory and legislative requirements, misselling, failure to manage the third parties, IT infrastructure, cyber security, and business continuity effectively. The risks are mainly mitigated by a sound and effective operational risk management framework, robust compliance process and culture, timely and insightful management information on key operational risk and control assessments, scenario analysis, and internal and external incidents reporting.

CORPORATE OFFICERS

Antonio "Jumbing" G. De Rosas

President and Chief Executive Officer

Mr. Antonio "Jumbing" De Rosas graduated Summa Cum Laude from the University of San Francisco (USA) with a degree in Business Administration, major in Accounting. He also holds a Master's degree in Business Economics from the University of Asia and the Pacific.

Mr. De Rosas' extensive experience in business and finance began in the banking sector abroad in his early years, and later, for some of the country's top insurance companies where his previous roles include being Senior Vice President and Chief Finance Officer and Head of Information Technology for the Philippine and Hong Kong operations. He is a member of both the American and Hong Kong Institute of Certified Public Accountants and is a Certified Information Systems Auditor.

Mr. De Rosas is a martial arts expert, with the rank of karate black-belt, 4th dan. He is a skilled athlete who continues to be involved in long-distance swimming and running.

Lee C. Longa

Executive Vice President and Chief Financial Officer

Mr. Lee Longa is a Certified Public Accountant with a wealth of experience in various Finance and Audit functions. He started his career with Joaquin Cunanan & Co./Pricewaterhouse Coopers where he was the Assurance and Business Services Advisory Manager.

Mr. Longa's insurance experience commenced when he joined Nippon Life as Chief Audit Executive. He has also had stints as a member of the senior management team and Head of Finance for the Blue Cross Group of Companies, AsianLife Financial Assurance Corp., and AsianLife and General Assurance Corp. Prior to joining Pru Life UK, he was Vice President and Chief Finance Officer of ACE Insurance Philippines. He earned his Accounting degree from the Ateneo de Davao University.

Maria Divina H. Furagganan

Senior Vice President and Chief Agency Officer

Ms. Maria Divina "Divine" Heres-Furagganan joined Pru Life UK in 2010 as Sales Director and has since led sales branches/agencies in becoming significant contributors to the Company's sales performance and expanding business. She currently serves as Senior Vice President and Chief Agency Officer, tasked to direct the Company's entire Agency Force.

Ms. Furagganan has over 25 years of experience in sales, holding key roles in a number of insurance companies including Philippine AXA Life Insurance Corporation, Manufacturer's Life Insurance Corporation, and John Hancock Life Insurance Corporation. She graduated Cum Laude from the Mapua Institute of Technology with a Bachelor's degree in Management and Industrial Engineering.

Johnny Lee

Senior Vice President and Chief Risk Officer

Mr. Johnny Lee joined Pru Life UK as Senior Vice President and Chief Risk Officer in 2016. He is leading the Risk Management and Compliance function.

Mr. Lee brings with him over 15 years of solid experience in the life and pension industry in Asia, with the recent focus on European Solvency II implementation and financial risk management. Before joining Pru Life UK, he served as Prudential Corporation Asia's Director for Financial Risk Management. He has also worked for various product development, financial reporting and pension consulting roles in Prudential Corporation Asia, AIA, Manulife, and William Mercer. He earned both his undergraduate degree in Actuarial Science and postgraduate degree in Financial Engineering and Risk Management from the University of Hong Kong. He is a Fellow of the Society of Actuaries since 2003.

Francis P. Ortega

Senior Vice President and Chief Actuary

Mr. Francis Ortega joined Pru Life UK as Head of Pricing and Product Development in 2007. As head of the actuarial pricing team, he was responsible for the development of the Company's long line of innovative and profitable products and has helped manage the agency compensation structure and set up the distribution agreement for several bank partners. In 2011, he ascended to the role of Chief Actuary and currently oversees all areas of the actuarial function which covers Financial Reporting and Valuation, Experience Studies and Monitoring, Risk Management, and Product Development.

Mr. Ortega is a Fellow of the Actuarial Society of the Philippines and the Life Office Management Institute and has more than 15 years of experience in the life insurance industry. He began his career with a large multinational life insurance company and has served in various actuarial roles prior to joining Prudential. He graduated Cum Laude from the University of Santo Tomas with a Bachelor's degree in Mathematics, major in Actuarial Science.

Ma. Belen Elvira S. Tiongco

Senior Vice President and Chief Marketing Officer

Ms. Ma. Belen Elvira Tiongco earned her Bachelor's degree in Communication Research from the Institute of Mass Communication at the University of the Philippines. She also has a Master of Business Administration degree from the De La Salle University Graduate School of Business Economics, where she majored in Marketing. Ms. Tiongco is a fellow of the Life Office Management Association and a member of the International Association of Business Communicators.

Ms. Tiongco brings with her almost three decades' worth of experience and expertise in the life insurance industry. She was with Philam Life for 18 years and joined Pru Life UK in 2000. Before she became Pru Life UK's Vice President for Marketing Services, Ms. Tiongco covered a wide range of roles in her previous company including management trainee, Payroll and Employee Benefits Manager, Agency Superintendent for Southern Luzon and Assistant Vice President for Accident and Health.

Rey Antonio M. Revoltar

Senior Vice President and Chief Human Resources Officer

Mr. Rey Antonio Revoltar has been with Pru Life UK since 1999 where he began his Prudential career as a Human Resources Manager. From January 2004 to April 2006, Mr. Revoltar was part of the Prudential Corporation Asia Regional Office in Hong Kong where he was a Human Resources Manager and subsequently Regional Training and Development Manager in the PRUuniversity Team. He moved back to Pru Life UK as Senior Manager for Training and Development before he moved up and assumed the post of Assistant Vice President for Human Resources.

In 2008, Mr. Revoltar joined the Company's Executive Committee when he became Vice President for Human Resources. Before joining Pru Life UK, he has done significant work for another life company and a well-known leisure park. Mr. Revoltar is a graduate of the Ateneo de Manila University where he took up Management Economics.

Manuel T. Nera, Jr.

Senior Vice President and Chief Information Officer

Mr. Manuel Nera holds a degree in Bachelor of Science in Electronics and Communication Engineering from Don Bosco Technical College. He was a member of the Project Management Institute and was a Certified Project Management Professional.

Mr. Nera brings with him two decades of Information Technology experience, starting with PLDT, the biggest telecommunications company in the Philippines. He assumed various roles with two other life insurance companies, Sun Life Financial Shared IT Services as its Regional IT Manager and Generali Pilipinas as its Chief Information Officer.

In 2010, he joined Pru Life UK as Vice President for Information Technology and ascended to the role of Senior Vice President and Chief Information Officer in 2011.

Michael R. Mabalay

Senior Vice President and Chief Operations Officer

Mr. Michael Mabalay joined the Life Operations Division of Pru Life UK in 2000 where he established the Business Retention Department and led the team responsible for the development of backroom support services for unit-linked life insurance products. He moved on to become Vice President for Corporate Project Management in 2010 and set-up a robust framework for managing the Company's significant initiatives. From November 2012 to June 2013, he was appointed by Prudential Corporation Asia as Senior Vice President and Project Director of the Integration Management Office of Prudential Thailand where he successfully managed the simultaneous acquisition of a life insurance company and implementation of a bancassurance partnership in Thailand.

Mr. Mabalay currently serves as the Senior Vice President and Chief Operations Officer of Pru Life UK. He holds a degree in Bachelor of Science, Major in Management from the Ateneo de Manila University.

Ma. Emeren V. Vallente

Senior Vice President and Chief Legal and Government Relations Officer

Atty. Ma. Emeren V. Vallente currently serves as the Senior Vice President and Chief Legal and Government Relations Officer of Pru Life UK. She has been with the Company since 2010. Prior to working with Pru Life UK, she was Country Lead Lawyer & Corporate Secretary of a multinational insurance corporation where she authored the Regional Board Standards adopted and used by all of the corporation's affiliates within the region. Atty. Vallente has been sharing her expertise in legal matters with the life insurance industry since 1997. She also has extensive experience in both corporate governance and compliance and has successfully completed with Distinction the One-Year Course on Trust Operations and Investment Management conducted by the Trust Institute Foundation of the Philippines, the Neville-Clarke International Training Course for Internal Quality Auditor, and the Basic Management Program of the Asian Institute of Management. She obtained her Juris Doctor degree from the Ateneo de Manila University.

ACEDERA, Ma. Christia
Vice President - Contact Center Management

BALBIN, Samuel
Vice President - Underwriting and Claims

BELTRAN, Mercedes
Vice President - Agency Recruitment

DE LEON, Arnolfo
Vice President - Agency Support

DETALLA, Marylin
Vice President and Sector Head for Metro Manila

ELLORENCO, Noel
Vice President and National Sales Director

GARCES, Antonio II
Vice President and Chief Investment Officer

GARCIA, Ramon
Vice President - Distribution Strategy and Planning

GREGORIO, Esperanza
Vice President and Sales Director for Metro Manila 2

ISIDRO, Maribel
Vice President and Sector Head for Luzon

JARANILLA, Ma. Leticia
Vice President - Third Party Distribution

KATINDOY, Elaine
Vice President - PRU Agent Academy

KINTANAR, Ma. Xenas
Vice President and Sector Head for Visayas and Mindanao

LASA, Roseanne
Vice President - PRU Leadership Academy

MARAÑO, Ma. Cecilia
Vice President - Financial Planning, Reporting and Analysis

MARASIGAN, Dante
Vice President and Financial Controller

MIGALLOS, Mark Anthony
Vice President - General Agencies and Fast Track

PATULOT, Andrea Margie
Vice President - Policy Administration

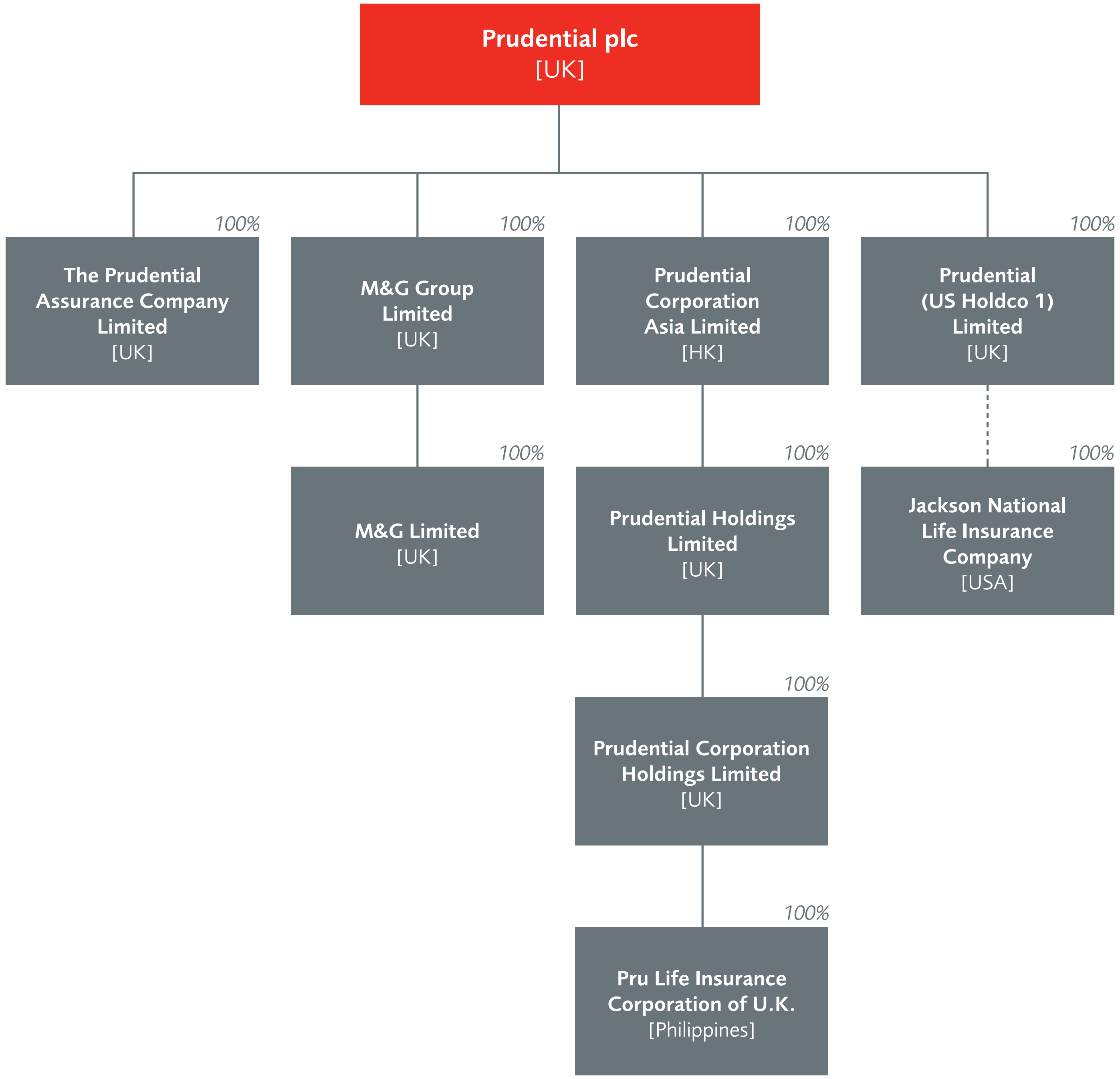
RAMIREZ, Kenn Melecio Valentino
Vice President - Channel Incubation

SAN JOSE, Judy
Vice President - Strategic Initiatives

SHAREHOLDER INFORMATION AND GROUP CORPORATE STRUCTURE

Position as of 31 December 2015

Extract from the Prudential plc ownership chart for Pru Life Insurance Corporation of U.K.



Notes:
1. Place of incorporation of each company are being indicated in square brackets above.
2. The above chart shows only Prudential plc's principle business units as well as the full ownership for Pru Life Insurance Corporation of U.K.
3. - - - - - Intermediate holding company(ies) for this entity do not appear on this extract ownership chart.

PRU LIFE U.K.

Established in 1996, Pru Life UK is a subsidiary of British financial services giant Prudential plc. Pru Life UK is the pioneer and current market leader of unit-linked or investment-linked life insurance products, and is one of the first life insurance companies approved to market US dollar-denominated unit-linked policies in the country. Pru Life UK is a life insurance company and is not engaged in the business of selling pre-need plans.

Headquartered in the United Kingdom, Prudential plc has an extensive network of life insurance and mutual funds operations around the world covering Europe, the United States (US) and 14 markets in Asia. Its regional office, Prudential Corporation Asia, is based in Hong Kong. Prudential plc has around 24 million insurance customers worldwide and manages £509 billion of assets as of 31 December 2015.

Pru Life UK and Prudential plc are not affiliated with Prudential Financial, Inc. (a US-registered company), Philippine Prudential Life Insurance Company, Prudentialife Plans, Inc. or Prudential Guarantee and Assurance, Inc. (all Philippine-registered companies).

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