COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 0 4 8 0 1

COMPANY NAME

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of
Petron Corporation)

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

SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NA	886-3888	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	March 8	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dennis S. Janson	dsjanson@petron.com	886 - 3888	NA

CONTACT PERSON's ADDRESS

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

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

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)

FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 7 0 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

The Board of Directors and Stockholders
Petrogen Insurance Corporation
SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City

Report on the Financial Statements

We have audited the accompanying financial statements of Petrogen Insurance Corporation (a wholly-owned subsidiary of Petron Corporation), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, 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.

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Petrogen Insurance Corporation (a wholly-owned subsidiary of Petron Corporation) as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards.

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

The supplementary information required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Petrogen Insurance Corporation in a separate schedule. Such supplementary information is not a required part of the basic financial statements. Our opinion on the basic financial statements is not affected by the presentation of the supplementary information in a separate schedule.

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 8, 2016
Makati City, Metro Manila

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

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

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

The Board of Directors and Stockholders
Petrogen Insurance Corporation
SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City

We have audited the accompanying financial statements of Petrogen Insurance Corporation (a wholly-owned subsidiary of Petron Corporation) (the "Company") as at and for the year ended December 31, 2015, on which we have rendered our report dated March 8, 2016.

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

R.G. MANABAT & CO.

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 7 0 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

March 8, 2016
Makati City, Metro Manila

Petrogen Insurance Corporation
SMC Head Office Complex, # 40 San Miguel Avenue,
Mandaluyong City 1550
Tel.No.: (632) 886-3888 / 884-9200
Fax No.: (632) 884-9163 / 884-0959
VAT Reg. TIN No.: 005-034-674-000

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petrogen Insurance Corporation** (the "Company") is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders.

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

LUBIN B. NEPOMUCENO
Chairman of the Board

EMMANUEL E. ERAÑA
CEO/President

DENNIS S. JANSON
Controller

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 07 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

Signed this 8th day of March 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 7 0 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2015**	2014
ASSETS			
Cash and cash equivalents	*6*	**P208,242,473**	P173,113,800
Insurance receivables	*7*	**92,011,379**	117,524,613
Available-for-sale (AFS) financial assets	*8*	**289,094,932**	259,462,093
Deferred reinsurance premiums	*9*	**41,367,680**	37,291,252
Property and equipment - net	*10*	**103,193**	138,276
Other assets	*11*	**16,863,966**	14,318,615
		P647,683,623	P601,848,649
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	*12*	**P81,003,427**	P77,460,013
Due to reinsurers - net	*13*	**25,599,808**	30,090,174
Accrued expenses and other liabilities	*14*	**13,637,486**	13,159,257
Deferred reinsurance commission	*15*	**2,765,788**	3,305,690
Deferred tax liabilities - net	*20*	**451,127**	1,417,623
		123,457,636	125,432,757
Equity			
Capital stock	*16*	**250,000,000**	250,000,000
Contributed surplus		**25,000,000**	25,000,000
Revaluation reserves	*8*	**3,064,656**	3,151,348
Retained earnings		**246,161,331**	198,264,544
		524,225,987	476,415,892
		P647,683,623	P601,848,649

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)
STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2015**	2014
UNDERWRITING INCOME			
Gross premiums written	*12, 17*	**P527,333,668**	P471,640,241
Premiums ceded	*9, 17*	**(497,074,305)**	(442,281,127)
Net premiums retained		**30,259,363**	29,359,114
Decrease (increase) in reserve for unearned premiums - net of deferred reinsurance premiums	*17*	**(18,070)**	294,030
Net premiums earned		**30,241,293**	29,653,144
Reinsurance commission	*15*	**37,533,006**	37,896,227
GROSS UNDERWRITING INCOME		**67,774,299**	67,549,371
UNDERWRITING EXPENSES		**11,115,693**	16,743,555
NET UNDERWRITING INCOME		**56,658,606**	50,805,816
INVESTMENT AND OTHER INCOME	*18*	**22,920,334**	21,970,448
INCOME AFTER INVESTMENT AND OTHER INCOME		**79,578,940**	72,776,264
GENERAL AND ADMINISTRATIVE EXPENSES	*19*	**20,219,669**	21,148,788
INCOME BEFORE INCOME TAX		**59,359,271**	51,627,476
INCOME TAX EXPENSE	*20*	**11,462,484**	10,316,860
NET INCOME	*21*	**P47,896,787**	P41,310,616

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2015**	2014
NET INCOME		**P47,896,787**	P41,310,616
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss			
Net change in fair value of AFS financial assets	*8*	**(1,356,088)**	(5,850,609)
Net change in fair value of AFS financial assets transferred to profit or loss	*8*	**1,269,396**	797,448
		(86,692)	(5,053,161)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P47,810,095**	P36,257,455

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock (Note 16)	Contributed Surplus	Revaluation Reserve on AFS Financial Assets (Note 8)	Retained Earnings	Total Equity
Balance at January 1, 2015	**P250,000,000**	**P25,000,000**	**P3,151,348**	**P198,264,544**	**P476,415,892**
Net income	-	-	-	**47,896,787**	**47,896,787**
Unrealized loss on AFS financial assets - net of tax	-	-	**(86,692)**	-	**(86,692)**
Total comprehensive income	-	-	**(86,692)**	**47,896,787**	**47,810,095**
Balance at December 31, 2015	**P250,000,000**	**P25,000,000**	**P3,064,656**	**P246,161,331**	**P524,225,987**
Balance at January 1, 2014	P250,000,000	P25,000,000	P8,204,509	P156,953,928	P440,158,437
Net income	-	-	-	41,310,616	41,310,616
Unrealized loss on AFS financial assets - net of tax	-	-	(5,053,161)	-	(5,053,161)
Total comprehensive income	-	-	(5,053,161)	41,310,616	36,257,455
Balance at December 31, 2014	P250,000,000	P25,000,000	P3,151,348	P198,264,544	P476,415,892

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P59,359,271**	P51,627,476
Adjustments for:			
Depreciation	*10*	**62,398**	42,281
Increase (decrease) in reserve for unearned premiums - net		**18,070**	(294,030)
Decrease in deferred reinsurance commission		**(539,902)**	(843,372)
Unrealized foreign exchange loss (gain)		**(1,349,693)**	1,091,665
Interest income	*18*	**(14,991,843)**	(14,471,155)
Operating income before working capital changes		**42,558,301**	37,152,865
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Insurance receivables		**25,513,234**	100,524,957
Other assets		**(2,545,351)**	(4,599,297)
Increase (decrease) in:			
Claims and losses payable		**(551,084)**	(155,976,828)
Due to reinsurers - net		**(4,490,366)**	(41,080,530)
Accrued expenses and other liabilities		**478,229**	(8,739,398)
Cash generated from (used in) operations		**60,962,963**	(72,718,231)
Income taxes paid	*20*	**(12,391,825)**	(10,324,370)
Net cash provided by (used in) operating activities		**48,571,138**	(83,042,601)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of AFS financial assets	*8*	**130,000,000**	148,160,000
Interest received		**17,823,533**	17,920,719
Acquisition of property and equipment	*10*	**(27,315)**	(146,400)
Acquisition of AFS financial assets	*8*	**(162,588,376)**	(132,760,618)
Net cash provided by (used in) investing activities		**(14,792,158)**	33,173,701
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,349,693**	(1,091,665)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**35,128,673**	(50,960,565)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**173,113,800**	224,074,365
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P208,242,473**	P173,113,800

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Petron Corporation)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Petrogen Insurance Corporation (the "Company") was incorporated in the Philippines on August 23, 1996. The Company is presently engaged in the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

The Company is a wholly-owned subsidiary of Petron Corporation (Petron), a company incorporated and domiciled in the Philippines and whose shares are listed in the Philippine Stock Exchange. Petron is the leading oil refining and marketing company in the Philippines supplying nearly 40% of the country's fuel requirements.

The Company's ultimate parent is Top Frontier Investments Holdings, Inc.

On June 3, 2014, extension of Certificate of Authority was granted by Insurance Commission (IC) through Circular Letter (CL) No. 2014-26 which states that existing license with expiry date of June 30, 2014 shall be recognized as valid until December 31, 2015. On January 1, 2016, Certificate of Authority was granted to the Company effective January 1, 2016 until December 31, 2018.

The Company's principal and registered office address is SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. Basis of Preparation

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2015 were authorized for issue by the Board of Directors (BOD) on March 8, 2016.

Basis of Measurement
The financial statements of the Company have been prepared on a historical cost basis, except for financial assets classified as available-for-sale (AFS) financial assets, which is stated at fair value.

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

3. Summary of Significant Accounting Policies

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

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Company has adopted the following amendments to standards starting January 1, 2015. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain changes to nine (9) standards with consequential amendments to other standards and interpretations, of which only the following is applicable to the Company.

  - *Scope of portfolio exception (Amendment to PFRS 13, Fair Value Measurement*). The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*.

    PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9, regardless of whether they meet the definition of a financial asset or financial liability under PAS 32, *Financial Instruments: Presentation* - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

  - *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 and Amended Standards and Interpretations Not Yet Adopted

A number of new and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing these financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the Company's financial statements.

Effective January 1, 2016

- *Equity Method in Separate Financial Statements (Amendments to PAS 27, Separate Financial Statements).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption 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 statements of financial position and statements of income and other comprehensive income (OCI) can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI 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* (2014). PFRS 9 (2014) replaces PAS 39 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.

The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9.

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

- *PFRS 15* replaces PAS 11, *Construction Contracts,* PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standards Interpretations Committee (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 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 PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another 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.

Financial Assets and Financial Liabilities

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. Trade date accounting refers to: (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

The Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities 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 HTM investments and financial assets and financial liabilities at FVPL.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than any impairment loss and foreign currency differences on AFS debt instruments, are recognized and presented in the "Revaluation reserve on AFS financial assets" account in OCI and presented in the statements of changes in equity.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest and dividends earned on holding AFS financial assets are recognized in "Investment and other income" account in the statements of income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as impairment losses in the statements of income.

The Company's investments which consist of government securities and other debt securities included under "AFS financial assets" account are classified under this category (Note 8).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Investment and other income" account in the statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are an integral part of the effective interest method. The periodic amortization is also included as part of "Investment and other income" account in the statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Included in this category are: (a) cash and cash equivalents; (b) insurance receivables, which arise primarily from premiums due from policyholders and recoverable from reinsurers; (c) interest receivables under "Other assets" account in the statements of financial position; and (d) due from reinsurers, net of allowance for impairment losses, under "Due to reinsurers - net" account in the statements of financial position (Notes 6, 7, 11 and 13).

Cash includes cash on hand and in banks and are stated at face amount. 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 changes in value.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered integral part of the effective interest rate (EIR) of the liability.

Included in this category are: (1) claims and losses payable presented as part of "Insurance liabilities" account in the statements of financial position; (2) due to reinsurers (gross of due from reinsurers); and (3) unclaimed check, due to a related party, accrued expenses and other liabilities presented as part of "Accrued expenses and other liabilities" account in the statements of financial position (Notes 12, 13 and 14).

Fair Value Measurements
Determination of Fair Values
The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

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

- Level 1: quoted 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., prices) or indirectly (i.e., derived from prices); and

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Offsetting 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 not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

AFS Financial Assets
For equity instruments carried at fair value, the Company assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ is evaluated against the period in which the fair value has been below its original cost. The Company generally regards fair value decline as being significant when decline exceeds 20.00%. A decline in a quoted market price that persists for twelve (12) months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment loss in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment loss on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

Assets Carried at Amortized Cost
For financial assets carried at amortized cost such as loans and receivables, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either has:

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

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

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

Financial Liabilities

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

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the cost of day-to-day servicing.

The initial cost of property and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period these costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation and amortization, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Office equipment	10
Electronic data processing (EDP) equipment	3

The remaining useful lives, residual values and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of the property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

As at December 31, 2015 and 2014, no impairment loss has been recognized on the Company's property and equipment (Note 10).

Insurance Contracts

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

Classification of Insurance and Investment Contracts

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10.00% more than the benefits payable if the insured event did not occur. Insurance contracts can also expose the insurer to financial risks. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts are those contracts that transfer financial risk with no significant 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.

The Company has no outstanding investment contracts in 2015 and 2014.

Insurance Contract Receivables and Payables
Insurance contract receivables and payables are recognized when contracts are entered into and premiums are charged. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes that impairment loss in profit or loss.

Claims and Losses Payable
Liabilities for unpaid claims and losses and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liability is derecognized when the contract is discharged, cancelled, or has expired.

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

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in the statements of income in the period the recoveries are determined. Recoverable amounts from reinsurers are presented as part of “Insurance receivables” account in the statements of financial position.

Liability Adequacy Test
At each reporting date, liability adequacy test is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses. The reserve for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current reserve for unearned premiums.

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amount due to it under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

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

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

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

Equity

Capital Stock

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

Contributed Surplus

Contributed surplus represents contributions of the stockholders to the Company in compliance with the requirements of the Insurance Code.

Revaluation Reserves

Revaluation reserves comprise cumulative gains and losses due to the revaluation of AFS financial assets.

Retained Earnings

Retained earnings include all current and prior period results as disclosed in the statements of income. Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standards.

Revenue Recognition

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

Premium Income

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

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at the reporting date is accounted for as "Reserve for unearned premiums" account and presented under "Insurance liabilities" in the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at each reporting date is accounted for as "Deferred reinsurance premiums" and shown in the assets section of the statements of financial position. The net changes in these accounts between reporting dates are credited to or charged against income as "Increase or decrease in reserve for unearned premium - net" account in the statements of income.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

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

The benefits recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within reinsurance receivables. Premiums payable for reinsurance contracts are recognized as an expense upon recognition of related premiums. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in the statements of income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

Reinsurance Commissions
Reinsurance commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as “Deferred reinsurance commissions” and presented in the liabilities section of the statements of financial position.

Interest Income
Interest income for all interest-bearing financial instruments is recognized in profit or loss using the effective interest method.

Realized Gains and Losses
Realized gains and losses include gains and losses on the sale of AFS financial assets, which are calculated as the difference between net sales proceeds and the net carrying value.

Realized gains and losses are recognized in the statements of income when the sales transaction occurred.

Cost and Expense Recognition
Cost and 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. Costs and expenses are recognized when incurred.

Underwriting Expenses
Underwriting expenses consists of benefits and claims paid to policyholders, which includes changes in the valuation of insurance liabilities, except for changes in the reserve for unearned premiums which are recorded as increase or decrease in reserve for unearned premium. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

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

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

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

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

Operating Lease
Company as Lessee
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 as expenses in profit or loss on a straight-line basis over lease term.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Taxes

Current Tax

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

Final Tax

Interest income from cash on hand and in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in 'Income tax expense" account in the statements of income.

Deferred Tax

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 asset 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 the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In determining the amount of current, final and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities.

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

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. 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 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. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determination of Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgments to select from variety of valuation models and makes assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Impairment of AFS Financial Assets

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. The Company generally regards fair value decline as being significant when decline exceeds 20.00%. 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. Based on the recent evaluation of information and circumstances affecting the Company's AFS financial assets, management concluded that no assets are impaired as at December 31, 2015 and 2014. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

Determination of Functional Currency

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

Operating Lease - Company as Lessee

The Company has entered into a lease agreement for its office space with Petron. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the property covered by the agreement. The Company has determined that the lessor retains significant risks and rewards of ownership for the leased office space. Therefore, the lease is classified as an operating lease.

Taxes

Beginning July 2008, in the determination of the Company's current taxable income, the Company has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. The Company, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. In 2015 and 2014, the Company opted to use OSD for its annual income tax return (Note 20).

Estimates

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

Estimation of Allowance for Impairment of Insurance Receivables

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease assets.

As at December 31, 2015 and 2014, the Company has not recognized provision for impairment loss on its insurance receivables.

As at December 31, 2015 and 2014, the carrying amount of insurance receivables amounted to P92.01 million and P117.52 million, respectively (Note 7).

Estimation of Allowance for Impairment of AFS Financial Assets

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

As at December 31, 2015 and 2014, the Company assessed that there are no impairment indicators for its AFS financial assets.

As at December 31, 2015 and 2014, the carrying amount of AFS financial assets amounted to P289.09 million and P259.46 million, respectively (Note 8).

Estimated Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation expense and decrease property and equipment.

There is no change in estimated useful lives of property and equipment based on management's review at the reporting dates.

As at December 31, 2015 and 2014, property and equipment net of accumulated depreciation amounted to P0.10 million and P0.14 million, respectively (Note 10).

Impairment of Non-financial Assets
PFRS requires that an impairment review be performed on property and equipment when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

As at December 31, 2015 and 2014, management has assessed that no indications exist that the property and equipment are impaired.

Liability Arising from Claims Made under Insurance Contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of the adjuster's estimates.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

As at December 31, 2015 and 2014, Claims and losses payable amounted to P34.55 million and P35.10 million, respectively (Note 12).

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 assets to be utilized. The Company's assessment on the recognition of deferred tax assets is based on the projected taxable income in the following periods.

As at December 31, 2015 and 2014, deferred tax assets amounted to P1.27 million and P1.33 million, respectively (Note 20).

5. Insurance and Financial Risks Management Objectives and Policies

Objectives and Policies

The primary objective of the Company's insurance and financial risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the financial performance objectives, including failing to exploit opportunities.

Governance

Key management recognizes the critical importance of having efficient and effective risk management system.

The Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance, liquidity, credit and market risks and the Company's management of capital.

Regulatory Framework

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

The risks and the way the Company manages insurance and financial risks are set out below:

Insurance Risk

The major classes of general insurance written by the Company include fire, marine, casualty and motor. Risks under these policies usually cover a twelve-month duration. The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- *Occurrence Risk* - the possibility that the number of insured events reported in a particular period will differ from those expected.

- *Severity Risk* - the possibility that the cost of the events will differ from those expected.

- *Development Risk* - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The Company's exposure to insurance risk as at December 31, 2015 and 2014 is as follows:

	Note	**2015**	2014
Claims and losses payable	*12*	**P34,551,616**	P35,102,700
Less reinsurance recoverable on unpaid losses	*7*	**26,837,467**	27,699,967
		P7,714,149	P7,402,733

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

The business of the Company comprises short-term nonlife insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc. These risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and

- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented as part of "Insurance receivables" in the statements of financial position.

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimates at the accident year are based from adjusters' report. Other estimates are based on reasonable approximation after an evaluation of reported claims. Adjustment to the loss reserves is made on the year the ultimate cost of claim becomes more certain. Reserves are either released or increased depending on the said amounts.

Key Assumptions
The principal assumptions underlying the estimates made by the Company depends on the past claims experience and industry levels. This includes assumptions in respect to average claims costs, inflation factor and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis
The Company's claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

In accordance with the claims development methodology, claims and losses over a period of time on a gross and net reinsurance basis were developed as follows:

	2015					
Accident Year	**All Years Prior to 2012**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claims costs:						
At the end of accident year	**P97,842,132**	**P7,071,903**	**P196,929,772**	**P10,805,744**	**P8,729,373**	**P8,729,373**
One year later	**6,351,068**	**2,255,212**	**222,302,054**	**3,032,265**	**-**	**3,032,265**
Two years later	**2,018,089**	**165,984**	**32,053,490**	**-**	**-**	**32,053,490**
Three years later	**1,137,899**	**32,746**	**-**	**-**	**-**	**32,746**
Four years later	**137,741**	**-**	**-**	**-**	**-**	**137,741**
Current estimate of cumulative claims	**137,741**	**32,746**	**32,053,490**	**3,032,265**	**8,729,373**	**43,985,615**
Cumulative payments due	**26,645**	**28,611**	**24,973**	**2,823,038**	**6,530,732**	**9,433,999**
Liability recognized in the statements of financial position, gross of reinsurance	**111,096**	**4,135**	**32,028,517**	**209,227**	**2,198,641**	**34,551,616**
Reinsurance recoverable on unpaid losses	**94,432**	**-**	**26,743,035**	**-**	**-**	**26,837,467**
Net exposure	**P16,664**	**P4,135**	**P5,285,482**	**P209,227**	**P2,198,641**	**P7,714,149**

	2014					
Accident Year	All Years Prior to 2011	2011	2012	2013	2014	Total
Estimate of ultimate claims costs:						
At the end of accident year	P91,405,448	P6,436,684	P7,071,903	P196,929,772	P10,805,744	P10,805,744
One year later	4,111,785	2,239,283	2,255,212	222,302,054	-	222,302,054
Two years later	1,631,466	386,623	165,984	-	-	165,984
Three years later	965,419	167,942	-	-	-	167,942
Four years later	4,538	-	-	-	-	4,538
Current estimate of cumulative claims	4,538	167,942	165,984	222,302,054	10,805,744	233,446,262
Cumulative payments due	-	56,846	123,232	188,643,272	9,520,212	198,343,562
Liability recognized in the statements of financial position, gross of reinsurance	4,538	111,096	42,752	33,658,782	1,285,532	35,102,700
Reinsurance recoverable on unpaid losses	-	94,432	-	27,605,535	-	27,699,967
Net exposure	P4,538	P16,664	P42,752	P6,053,247	P1,285,532	P7,402,733

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

The concentration of claims and losses by type of contract is as follows:

	2015		
	Gross Liabilities (Note 12)	**Reinsurers' Share of Liabilities** (Note 7)	**Net Liabilities**
Fire	**P31,964,517**	**P26,740,245**	**P5,224,272**
Marine	**111,096**	**97,222**	**13,874**
Motor	**2,476,003**	**-**	**2,476,003**
	P34,551,616	**P26,837,467**	**P7,714,149**

	2014		
	Gross Liabilities (Note 12)	Reinsurers' Share of Liabilities (Note 7)	Net Liabilities
Fire	P33,647,044	P27,604,639	P6,042,405
Marine	111,096	95,328	15,768
Motor	1,344,560	-	1,344,560
	P35,102,700	P27,699,967	P7,402,733

Financial Risk

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

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Company regulates and extends credit only to qualified and credit-worthy related entities and other counterparties, and continuously monitors defaults of its counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Note	**2015**	2014
Cash and cash equivalents	*6*	**P208,192,473**	P173,063,800
Insurance receivables*	*7*	**65,173,912**	89,824,646
AFS financial assets	*8*	**289,094,932**	259,462,093
Interest receivable**	*11*	**1,852,498**	2,922,062
Due from reinsurers***	*13*	**3,775,030**	4,994,824
		P568,088,845	P530,267,425

**excluding reinsurance recoverable on unpaid losses*
***included under "Other assets" account*
****included under "Due to reinsurers - net" account*

The credit risk for cash and cash equivalents and AFS financial assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings. The credit quality of these financial assets is therefore considered as high grade. For the determination of credit risk, cash and cash equivalents do not include cash on hand amounting to P0.05 million 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 the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

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

The table below provides information regarding the credit risk exposure of the Company by classifying financial 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 and/or Impaired**	**Total**
Cash and cash equivalents	**P208,192,473**	**P -**	**P208,192,473**	**P -**	**P208,192,473**
Insurance receivables*	**65,173,912**	**-**	**65,173,912**	**-**	**65,173,912**
AFS financial assets	**289,094,932**	**-**	**289,094,932**	**-**	**289,094,932**
Interest receivable**	**1,852,498**	**-**	**1,852,498**	**-**	**1,852,498**
Due from reinsurers***	**3,775,030**	**-**	**3,775,030**	**41,566**	**3,816,596**
	P568,088,845	**P -**	**P568,088,845**	**P41,566**	**P568,130,411**

**excluding reinsurance recoverable on unpaid losses*
***included under "Other assets" account*
****included under "Due to reinsurers - net" account*

	2014				
	Neither Past-Due nor Impaired				
	Investment High Grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and/or Impaired	Total
Cash and cash equivalents	P173,063,800	P -	P173,063,800	P -	P173,063,800
Insurance receivables*	89,824,646	-	89,824,646	-	89,824,646
AFS financial assets	259,462,093	-	259,462,093	-	259,462,093
Interest receivable**	2,922,062	-	2,922,062	-	2,922,062
Due from reinsurers***	4,994,824	-	4,994,824	41,566	5,036,390
	P530,267,425	P -	P530,267,425	P41,566	P530,308,991

**excluding reinsurance recoverable on unpaid losses*
***included under "Other assets" account*
****included under "Due to reinsurers - net" account*

The aging of the insurance receivables (excluding Reinsurance recoverable on unpaid losses) is as follows:

	Note	2015	2014
Premiums receivables			
Current		**P7,502,207**	P15,432,857
Past due but not impaired:		**1,293,542**	117,828
31 - 60 days			
61 - 90 days		**8,660**	25,276
More than 90 days		**1,087,639**	7,976,140
	7	**9,892,048**	23,552,101
Reinsurance recoverable on paid losses			
Current		**-**	-
Past due but not impaired:			
31 - 60 days		**-**	-
61 - 90 days		**-**	-
More than 90 days		**55,281,864**	66,272,545
	7	**55,281,864**	66,272,545
	7	**P65,173,912**	P89,824,646

The Company provides allowance for impairment on a specific and collective basis. The allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance on a regular basis.

As at December 31, 2015 and 2014, the Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments.

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

The Company's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Company manages its liquidity needs by carefully monitoring scheduled debt serving payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and 1-year period are identified monthly.

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

As at December 31, 2015 and 2014, the Company's financial assets and liabilities have contractual maturities which are presented below:

		2015		
	Note	**Due in One Year or Less**	**Due After One Year Through Five Years**	**Total**
Financial Assets				
Cash and cash equivalents	*6*	**P208,242,473**	**P -**	**P208,242,473**
Insurance receivables*	*7*	**65,173,912**	**-**	**65,173,912**
AFS financial assets	*8*	**70,464,800**	**218,630,132**	**289,094,932**
Interest receivable	*11*	**1,852,498**	**-**	**1,852,498**
Due from reinsurers	*13*	**3,775,030**	**-**	**3,775,030**
		349,508,713	**218,630,132**	**568,138,845**
Financial Liabilities				
Claims and losses payable	*12*	**34,551,616**	**-**	**34,551,616**
Due to reinsurers	*13*	**29,374,838**	**-**	**29,374,838**
Accrued expenses and other liabilities **	*14*	**5,235,337**	**-**	**5,235,337**
		69,161,791	**-**	**69,161,791**
Net Liquidity		**P280,346,922**	**P218,630,132**	**P498,997,054**

**excluding reinsurance recoverable on unpaid losses*
***excluding payable to regulatory agencies and deferred credits*

		2014		
	Note	Due in One Year or Less	Due After One Year Through Five Years	Total
Financial Assets				
Cash and cash equivalents	*6*	P173,113,800	P -	P173,113,800
Insurance receivables*	*7*	89,824,646	-	89,824,646
AFS financial assets	*8*	131,018,269	128,443,824	259,462,093
Interest receivable	*11*	2,922,062	-	2,922,062
Due from reinsurers	*13*	4,994,824	-	4,994,824
		401,873,601	128,443,824	530,317,425
Financial Liabilities				
Claims and losses payable	*12*	35,102,700	-	35,102,700
Due to reinsurers	*13*	35,084,998	-	35,084,998
Accrued expenses and other liabilities **	*14*	2,873,399	-	2,873,399
		73,061,097	-	73,061,097
Net Liquidity		P328,812,504	P128,443,824	P457,256,328

**excluding reinsurance recoverable on unpaid losses*
***excluding payable to regulatory agencies and deferred credits*

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at reporting dates.

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

Foreign Currency Risk
Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Company's cessions to Overseas Ventures Insurance Corporation Ltd. (OVINCOR) and collection on fire and marine insurance premiums from Petron, which are primarily denominated in US dollar. The Company also holds US dollar-denominated cash and cash equivalents.

To mitigate the company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and liabilities, translated into Philippine peso at the closing rate are as follows:

	2015		2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets	**1,930,315**	**90,840,639**	2,192,835	98,063,583
Financial liabilities	**(153,829)**	**(7,239,215)**	(340,115)	(15,209,928)
Net exposure	**1,776,486**	**83,601,424**	1,852,720	82,853,655

The Company reported net foreign exchange gains of P5.11 million and P0.70 million in 2015 and 2014, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar. As at December 31, 2015 and 2014, the closing rate of US dollar to peso is P47.06 and P44.72, respectively.

The management of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to income before tax and equity as at December 31:

	Change in US Dollar Exchange Rate	**Effect on Income before Income Tax**	**Effect on Equity**
2015	**+2.42%**	**P2,023,154**	**P1,416,208**
	-2.42%	**(2,023,154)**	**(1,416,208)**
2014	+1.27%	P1,052,241	P736,569
	-1.27%	(1,052,241)	(736,569)

In 2015, the peso volatility, as measured by the coefficient of variation of peso's daily closing rates, increased to 2.42% from 1.27% in 2014. The Company determined that this will best represent the movement of foreign exchange rate until the next reporting date.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Interest Rate Risk
The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the financial instruments.

The Company's exposure to such instruments is not significant as most of the investments have fixed interest rates and maturities.

Price Risk
The Company's price risk exposure at year end relates to financial assets whose values fluctuate as a result of changes in market price of AFS financial assets.

An increase (decrease) in market prices by 5.00% would not significantly affect the Company's profit before tax and equity considering the level of the Company's AFS financial assets.

Fair Value of Financial Instruments
The fair value of cash and cash equivalents, insurance receivables, interest receivables, due from a related party, claims and losses payable, due to reinsurers, and accrued expenses and other liabilities, approximate their carrying amounts due to relatively short-term nature.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

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

	2015				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
AFS financial assets:					
Government securities	**P123,590,805**	**P70,464,800**	**P53,126,005**	**P -**	**P123,590,805**
Other debt instruments	**165,504,127**	**-**	**165,504,127**	**-**	**165,504,127**
	P289,094,932	**P70,464,800**	**P218,630,132**	**P -**	**P289,094,932**

	2014				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
AFS financial assets:					
Government securities	P123,590,805	P72,984,800	P186,477,293	P-	P259,462,093

Other Debt Instruments
Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The market price reference in determining the market values is derived from Philippine Dealings and Exchange Corporation as at December 29, 2015.

As at December 31, 2015 and 2014, the Company has no financial instruments valued based on Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

6. Cash and Cash Equivalents

Cash and cash equivalents consists of:

	2015	2014
Cash on hand and in banks	**P14,666,855**	P11,762,399
Short-term placements	**193,575,618**	161,351,401
	P208,242,473	P173,113,800

Cash in banks generally earns interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company, and earn annual interest ranging from 0.38% to 2.57% in 2015 and 0.75% to 2.00% in 2014. Interest earned on cash in banks and short-term placements amounted to P4.08 million and P4.10 million in 2015 and 2014, respectively (Note 18).

7. Insurance Receivables

Insurance receivables consists of:

	2015	2014
Premium receivables	**P9,892,048**	P23,552,101
Reinsurance recoverable on paid losses	**55,281,864**	66,272,545
Reinsurance recoverable on unpaid losses	**26,837,467**	27,699,967
	82,119,331	93,972,512
	P92,011,379	P117,524,613

All of the Company’s insurance receivables have been reviewed for indicators of impairment. No receivables were found to be impaired.

A reconciliation of changes in reinsurance recoverable on paid and unpaid losses is as follows:

	2015	2014
Balance at beginning of year	**P93,972,512**	P157,246,040
Recoveries from reinsurers during the year	**(11,627,833)**	(71,491,393)
Reinsurer's share on paid losses during the year	**-**	1,395,940
Reinsurer's share on unpaid losses during the year	**-**	6,821,925
Adjustments during the year	**(225,348)**	-
Balance at end of year	**P82,119,331**	P93,972,512

8. AFS Financial Assets

AFS financial assets consists of:

	2015	2014
Government securities	**P123,590,805**	P259,462,093
Other debt securities	**165,504,127**	-
	P289,094,932	P259,462,093

This account is comprised of investments in government and private securities. Government securities consist of bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of Government-owned and controlled corporations, including the BSP, which are lodged with the Bureau of Treasury, in accordance with the provisions of the Insurance Code for the benefit and security of policyholders and creditors of the Company.

This account bears fixed interest rates ranging from 4.47% to 7.75% and 5.00% to 7.75% in 2015 and 2014, respectively. In 2015 and 2014, interest income on these investments amounted to P10.91 million and P10.37 million, respectively (Note 18). As at December 31, 2015 and 2014, accrued interest on these investments amounted to P1.62 million and P2.60 million, respectively (Note 11).

The maturity profile of this account is as follows:

	2015	2014
Due in one year or less	**P70,464,800**	P131,018,269
Due after one year through five years	**218,630,132**	128,443,824
	P289,094,932	P259,462,093

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

	2015	2014
Balance at beginning of year	**P259,462,093**	P285,529,840
Additions	**162,588,376**	132,760,618
Maturity	**(130,000,000)**	(148,160,000)
Fair value loss	**(123,846)**	(7,218,801)
Amortization of premium	**(2,831,691)**	(3,449,564)
Balance at end of year	**P289,094,932**	P259,462,093

On the other hand, the reconciliation of revaluation reserve on AFS financial assets is as follows:

	2015	2014
Balance at beginning of year	**P3,151,348**	P8,204,509
Net change in fair value of AFS financial assets	**(1,356,088)**	(5,850,609)
Net change in fair value of AFS financial assets transferred to profit or loss	**1,269,396**	797,448
Balance at end of year	**P3,064,656**	P3,151,348

9. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertains to the portion of insurance premiums ceded out and that relates to the unexpired period of the policies at reporting dates.

The movement of this account for the years ended December 31 is as follows:

	Note	**2015**	2014
Balance at beginning of year		**P37,291,252**	P64,698,407
Premiums ceded		**497,074,305**	442,281,127
Premiums ceded related to expired periods		**(492,997,877)**	(469,688,282)
	17	**4,076,428**	(27,407,155)
Balance at end of year		**P41,367,680**	P37,291,252

10. Property and Equipment

Property and equipment consists of:

		2015		
	Note	**Office Equipment**	**EDP Equipment**	**Total**
Cost				
January 1, 2015		**P3,016,326**	**P1,985,551**	**P5,001,877**
Additions		**-**	**27,315**	**27,315**
		3,016,326	**2,012,866**	**5,029,192**
Accumulated Depreciation				
January 1, 2015		**3,016,326**	**1,847,275**	**4,863,601**
Depreciation	*19*	**-**	**62,398**	**62,398**
		3,016,326	**1,909,673**	**4,925,999**
Net Book Value				
December 31, 2015		**P -**	**P103,193**	**P103,193**

		2014		
	Note	Office Equipment	EDP Equipment	Total
Cost				
January 1, 2014		P3,016,326	P1,839,151	P4,855,477
Additions		-	146,400	146,400
		3,016,326	1,985,551	5,001,877
Accumulated Depreciation				
January 1, 2014		3,016,326	1,804,994	4,821,320
Depreciation	*19*	-	42,281	42,281
		3,016,326	1,847,275	4,863,601
Net Book Value				
December 31, 2014		P -	P138,276	P138,276

There were no disposals of property and equipment in 2015 and 2014.

11. Other Assets

Other assets consists of:

	Note	2015	2014
Creditable withholding tax		**P14,101,587**	P10,687,085
Interest receivable	*6, 8*	**1,852,498**	2,922,062
Deferred input VAT		**589,316**	396,795
Security fund		**180,733**	180,733
Others		**139,832**	131,940
		P16,863,966	P14,318,615

Security fund was created under Section 378 of the R.A. No. 10607, otherwise known as the Insurance Code, to be used for payment of claims against insolvent insurance companies. As at December 31, 2015 and 2014, the balance of the fund amounting to P0.18 million represents the Company's contribution to the fund and it earns interest at rates determined by the IC annually.

12. Insurance Liabilities

Insurance liabilities consist of:

	2015	2014
Claims and losses payable	**P34,551,616**	P35,102,700
Reserve for unearned premiums	**46,451,811**	42,357,313
	P81,003,427	P77,460,013

The movement in claims and losses payable is accounted for as follows:

	2015	2014
Balance at beginning of year	**P35,102,700**	P191,079,528
Claims and losses incurred during the year	**10,914,852**	42,366,734
Claims and losses paid	**(10,248,569)**	(182,457,741)
Reversal of estimated claims and losses	**(1,217,367)**	(15,885,821)
Balance at end of year	**P34,551,616**	P35,102,700

In 2015 and 2014, the Company reversed the excess accrual on estimated claims and losses over actual claims and losses paid.

A reconciliation of reserve for unearned premiums is as follows:

	Note	2015	2014
Balance at beginning of year		**P42,357,313**	P70,058,498
Gross premiums written		**527,333,668**	471,640,241
Gross earned premiums		**(523,239,170)**	(499,341,426)
	17	**4,094,498**	(27,701,185)
Balance at end of year		**P46,451,811**	P42,357,313

13. Due to Reinsurers - net

Due to reinsurers - net consists of:

	2015	2014
Due to reinsurers	**P29,374,838**	P35,084,998
Due from reinsurers	**3,816,596**	5,036,390
Less allowance for impairment loss	**(41,566)**	(41,566)
	3,775,030	4,994,824
	P25,599,808	P30,090,174

Due to reinsurers pertains to the premiums payable to the reinsurers while due from reinsurers pertains to the Company’s reinsurance commissions receivable and loss adjustment expense recoverable.

All of the Company’s receivables from reinsurers have been reviewed for indicators of impairment. As at December 31, 2015 and 2014, no additional receivables were found to be impaired.

14. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of:

	Note	**2015**	2014
Payable to regulatory agencies		**P8,371,065**	P10,254,771
Unclaimed check		**3,268,449**	244,248
Due to a related party	*22*	**1,632,889**	2,076,934
Accrued expenses		**263,814**	552,217
Accounts payable		**70,185**	-
Deferred credits		**31,084**	31,087
		P13,637,486	P13,159,257

15. Deferred Reinsurance Commission

A reconciliation of deferred reinsurance commission is as follows:

	2015	2014
Balance at beginning of year	**P3,305,690**	P4,149,062
Reinsurance commissions for the year	**36,993,104**	37,052,855
Reinsurance commissions earned for the year	**(37,533,006)**	(37,896,227)
Balance at end of year	**P2,765,788**	P3,305,690

16. Capital Stock

As at December 31, 2015 and 2014, capital stock consists of:

	Shares	Amount
Common shares at P1,000 par value		
Authorized - 400,000 shares		
Issued and outstanding	**250,000**	P250,000,000
	250,000	P250,000,000

17. Premiums Earned

The reconciliation of movement in net premiums is as follows:

	Note	**2015**	2014
Gross earned premiums			
Gross premiums written		**P527,333,668**	P471,640,241
Decrease (increase) in reserve for unearned premiums		**(4,094,498)**	27,701,185
	12	**523,239,170**	499,341,426
Reinsurer's share of gross earned premiums			
Reinsurer's share of gross premiums		**497,074,305**	442,281,127
Decrease (increase) in deferred reinsurance premiums		**(4,076,428)**	27,407,155
	9	**492,997,877**	469,688,282
		P30,241,293	P29,653,144

18. Investment and Other Income

Investment and other income consists of:

	Note	**2015**	2014
Interest income on:			
AFS financial assets	*8*	**P10,912,687**	P10,374,786
Cash and cash equivalents	*6*	**4,079,156**	4,096,369
		14,991,843	14,471,155
Foreign exchange gain		**5,113,958**	702,810
Profit commission		**1,984,339**	2,061,866
Fronting fee		**-**	3,546,947
Other income		**830,194**	1,187,670
		P22,920,334	P21,970,448

Other income includes mainly of reversal of excess accrual on estimated claims and losses over actual claims and losses paid.

19. General and Administrative Expenses

General and administrative expenses consists of:

	Note	**2015**	2014
Outside services	*22*	**P16,803,718**	P17,660,904
Taxes and licenses		**1,282,158**	1,102,704
Professional fees		**471,450**	354,200
Rent	*22, 24*	**452,151**	443,160
Association dues		**322,994**	417,260
Representation		**200,706**	206,668
Advertising		**157,094**	139,720
Communication		**152,000**	111,322
Transportation and travel		**135,604**	357,162
Office supplies		**106,329**	173,485
Depreciation	*10*	**62,398**	42,281
Training		**34,029**	30,525
Miscellaneous		**39,038**	109,397
		P20,219,669	P21,148,788

20. Income Taxes

Income tax expense consists of:

	2015	2014
Current tax expense:		
RCIT	**P9,201,396**	P7,360,245
Final tax	**3,190,429**	2,964,125
	12,391,825	10,324,370
Deferred tax benefit	**(929,341)**	(7,510)
	P11,462,484	P10,316,860

The reconciliation between the statutory income tax rate on income before income tax and the Company's effective income tax rate is as follows:

	2015	2014
Income before income tax	**P59,359,271**	P51,627,476
Income tax computed at statutory income tax rate	**P17,807,781**	P15,488,243
Tax effect of excess of OSD over deductible expenses	**(5,038,174)**	(3,794,161)
Decrease in income tax rate resulting from interest income subjected to final tax	**(1,307,123)**	(1,377,222)
Tax expense reported in the statements of income	**P11,462,484**	P10,316,860

Deferred tax liabilities - net arises from the following:

	2015	2014
Amount Charged to Profit or Loss		
Deferred reinsurance commissions	**P829,736**	P991,707
Provisions for loss reserves	**424,998**	-
Allowance for impairment loss	**12,470**	12,470
Reserve for unearned premiums	**-**	(1,398,721)
Unrealized foreign exchange loss (gain)	**(404,908)**	327,499
	862,296	(67,045)
Amount Charged to OCI		
Changes in fair value of AFS financial assets	**(1,313,423)**	(1,350,578)
	(P451,127)	(P1,417,623)

The movements of deferred tax liabilities - net are accounted for as follows:

	2015	2014
Amount charged to profit or loss	**(P929,341)**	(P7,510)
Amount charged to OCI	**(37,155)**	(2,165,640)
	(P966,496)	(P2,173,150)

The Company is subject to MCIT which is computed at 2.00% of gross income, as defined under tax regulations. No MCIT was reported in 2015 and 2014 as the RCIT was higher than MCIT in both years.

Optional Standard Deduction

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40.00% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

The Company opted to use OSD for its annual income tax return in 2015 and 2014.

21. Reconciliation of Net Income under PFRS to Statutory Net Income

In 2014, the Company's income tax relating to reserve for unearned premiums is equal to 40% of the gross premiums, less returns and cancellations, received on policies or risks having no more than a year to run. For marine cargo risks, the reserve is 40% of the premiums written in the policies upon yearly risks and the full amount of the premiums written during the last two (2) months of the calendar year upon all other marine risks not terminated. This is in accordance with the provisions of Presidential Decree No. 1460, otherwise known as "The Insurance Code of 1987."

In 2015, the Company's income tax relating to reserve for unearned premiums on its policies in force is calculated based on the 24^{th} method, in accordance with the provisions of Republic Act No. 10607, otherwise known as "The Insurance Code."

22. Related Party Disclosures

The Company's related parties include its parent company, affiliates and others as described below. Details of related party transactions in 2015 and 2014 are as follows:

			Outstanding Balance			
Category/Transaction	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Parent Company						
Premiums written	**2015**	**P464,611,447**	**P9,864,708**	**P -**	**On-demand;**	**Unsecured;**
	2014	415,103,693	19,132,935	-	**non-interest bearing**	**no impairment**
Service fee income	**2015**	**26,171,413**	**-**	**-**	**On-demand;**	**Unsecured**
	2014	20,487,925	-	-	**non-interest bearing**	
Claims	**2015**	**636,814**	**-**	**32,075,613**	**On-demand;**	**Unsecured**
	2014	9,709,061	-	33,762,447	**non-interest bearing**	
Management fee	**2015**	**16,884,737**	**-**	**1,632,889**	**On-demand;**	**Unsecured**
	2014	16,861,108	-	2,076,934	**non-interest bearing**	
Entities under Common Control						
Premiums ceded	**2015**	**34,992,579**	**-**	**7,239,215**	**On-demand;**	**Unsecured**
	2014	52,173,824	-	15,209,928	**non-interest bearing**	
Commissions earned	**2015**	**2,055,799**	**646,176**	**-**	**On-demand;**	**Unsecured;**
	2014	2,953,910	934,227	-	**non-interest bearing**	**no impairment**
Reinsurance recoverable	**2015**	**-**	**13,791,058**	**-**	**On-demand;**	**Unsecured;**
	2014	-	13,380,021	-	**non-interest bearing**	**no impairment**
TOTAL	**2015**		**P24,301,942**	**P40,947,717**		
TOTAL	2014		P33,447,183	P51,049,309		

In the normal course of business, the Company provides insurance cover to its parent company, Petron, and obtains certain reinsurance coverage from OVINCOR, a wholly-owned subsidiary of Petron and incorporated under the laws of Bermuda.

Premiums written and ceded amounted to P464.61 million and P34.99 million in 2015, respectively, and P415.10 million and P52.17 million in 2014, respectively. Commission income related to reinsurance contracts with OVINCOR amounted to P2.06 million and P2.95 million in 2015 and 2014, respectively. The amount of premiums written, claims, premiums ceded and commissions earned are presented in the statements of income.

Outstanding balances relating to Petron and OVINCOR which include premiums written and reinsurance recoverable are presented as part of "Insurance receivables" account in the statements of financial position, while outstanding balances of premiums ceded and commissions earned are presented at net amount under "Due to reinsurers" account in the statements of financial position. Outstanding balances of claims, advances to and from Petron are presented as part of "Insurance liabilities," "Other assets," "Accrued expenses" and "Other liabilities" accounts, respectively, in the statements of financial position. The outstanding balances are unsecured, due and payable under normal payment terms and settled in the normal course of business.

Management Agreement
The Company entered into a management agreement with Petron for the latter to provide necessary manpower and office space facilities to support its operations for a period of four years. Total amount charged to operations as part of outside services, rent, and communication, from such management agreement amounted to P16.88 million and P16.86 million for the years ended December 31, 2015 and 2014, respectively. This agreement is effective until January 1, 2013 until either Petron or the Company provides a written notice of termination of the management agreement.

Key Management Compensation
There is no compensation for key management personnel in 2015 and 2014 since the key management roles are held by employees of Petron.

23. Capital Management and Regulatory Requirements

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by applying with the capital requirements and limitation enforced by the IC and aligning the Company's operation strategy to its corporate goals.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the IC and the amount computed under the Risk Based Capital (RBC) model.

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

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

The Company considers capital stock, contributed surplus, revaluation reserve for AFS financial assets and retained earnings as capital it manages.

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

Net Worth Requirements
Under the new Insurance Code (Republic Act 10607) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

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

1,300,000,000	On or before December 31, 2022

As at December 31, 2015 and 2014, the Company has complied with the net worth requirements.

RBC Requirements
Insurance Memorandum Circular No. 6-2006 provides for the RBC framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every non-life insurance company is annually required to maintain an RBC ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include an insurance company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC. RBC requirement shall be computed based on the formula provided in the Circular and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

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

The Company has complied with the externally imposed capital requirements.

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

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

IC CL No. 2015-32 provides that the reserves for a non-life insurance policy shall be composed of Premiums Liability and Losses and Claims Payable determined using best estimate assumptions, and appropriate Margin for Adverse Deviation for expected future experience. This new valuation standards is intended to cover both direct and assumed reinsurance business, whether treaty or facultative, of non-life insurance companies.

As at December 31, 2015, the Company is evaluating the impact of FRF and the new valuation standards on its financial statements.

IC CL No. 2015-30 provides that pursuant to Section 194 of the Amended Insurance Code (R.A. 10607), the IC is conducting a review of the current RBC Framework contained in Insurance Memorandum Circular No. 6-2006 and 7-2006 both dated October 5, 2006. Hence, all life and non-life insurance and professional reinsurance companies are required to participate in parallel runs for the RBC 2-QIS.

As at December 31, 2015, the Company is compliant with RBC 2-QIS based on internal calculations. The final RBC 2-QIS ratio can be determined only after the accounts of the Company have been examined by IC.

24. Lease Commitments

The Company has determined that the significant risks and rewards for properties leased from a related party are retained by the lessor.

On April 27, 2015, the Company has renewed its noncancelable operating lease agreement for office premises with terms of five (5) years which covered the periods from June 1, 2015 to May 31, 2020. The lease agreement includes escalation clauses that allow a reasonable increase in rates. The lease is renewable under certain terms and conditions.

As at December 31, future minimum rental payments under the new lease agreement are as follows:

	2015	2014
Within one year	**P415,670**	P198,921
After one year but not more than five years	**1,514,920**	-
	P1,930,590	P198,921

Rent expense amounting to P0.45 million and P0.44 million in 2015 and 2014, respectively, is presented as "Rent" under the "General and administrative expenses" account in the statements of income (Note 19).

25. Supplementary Information Required Under RR No. 15-2010 of the Bureau of Internal Revenue (BIR)

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

Petrogen Insurance Corporation
Supplementary Information Required by Under
Revenue Regulations (RR) No. 15-2010 of the Bureau of Internal Revenue
December 31, 2015

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2015.

1. Value-added Tax (VAT)

a. The Company is a VAT-registered company with VAT output tax declaration of P68,651,387 for the year ended December 31, 2015.

b. Claimed Input VAT are broken down as follows:

Balance at beginning of year	**P -**
Current year's purchases:	
Domestic purchase of other goods	**68,429**
Domestic purchase of services	**2,897,474**
Claims for tax credit/refund/adjustment	**(2,965,903)**
Balance at end of year	**P -**

2. Documentary Stamp Tax (DST)

In 2015, the Company's DST on its insurance premiums amounted to P65,500,614.

3. All Other Taxes (Local and National)

In 2015, Other taxes paid recognized as part of "Local government tax payable" under the "Accrued expenses and other liabilities" account in the statements of financial position and as part of "Taxes and licenses" under the "General and administrative expenses" account in the statements of income are as follows:

Local Taxes	
Mayor's permits, licenses and local business tax	**P 3,581,138**
Fire Service Tax	**296,963**
	3,878,101
National Taxes	
Premium Taxes	**104,233**
Registration	**500**
Others	**854,380**
	959,113
	P4,837,214

4. Withholding Taxes

In 2015, the amount of expanded withholding taxes paid/accrued amounted to P 11,790,570.

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

Branches: Subic · Cebu · Bacolod · Iloilo

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Petrogen Insurance Corporation
SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Petrogen Insurance Corporation (a wholly-owned subsidiary of Petron Corporation) (the "Company") as at and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated March 8, 2016.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

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

R.G. MANABAT & CO.

APR 07 2016
RECEIVED
MA. GRACIA AURORA L. CASTILLO

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 8, 2016
Makati City, Metro Manila

PETROGEN INSURANCE CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative		✓	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓