

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Reliable Insurance Brokers, Inc.
4/F RFM Corporate Center
Corner Sheridan, Pioneer Sts.
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reliable Insurance Brokers, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required Under Revenue Regulations 34-2020 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Reliable Insurance Brokers, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564644, January 3, 2023, Makati City

May 30, 2023



RELIABLE INSURANCE BROKERS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	₱3,412,077	₱2,965,316
Receivables - net (Note 5)	3,701,476	6,573,051
Other current assets (Note 7)	1,298,458	473,803
Total Current Assets	8,412,011	10,012,170
Noncurrent Assets		
Property and equipment (Note 8)	1,163,150	1,751,981
Investment properties (Note 9)	1,580,897	1,580,897
Software cost (Note 8)	352,277	475,757
Financial assets at fair value through other comprehensive income (FVOCI) [Note 10]	15,854,696	11,103,500
Deferred tax assets (Note 14)	315,713	720,045
Prepaid taxes - noncurrent portion (Note 7)	12,518,594	10,278,150
Deferred input value-added tax	-	8,340
Total Noncurrent Assets	31,785,327	25,918,670
	₱40,197,338	₱35,930,840
LIABILITIES AND EQUITY		
Current Liabilities		
Payable to insurance companies (Note 6)	₱403,893	₱2,892,488
Accounts payable and other current liabilities (Note 11)	4,114,781	5,499,325
Total Current Liabilities	4,518,674	8,391,813
Noncurrent Liabilities		
Retirement liability (Note 17)	1,552,983	-
Deferred tax liability (Note 14)	702,179	-
Total Noncurrent Liabilities	2,280,740	8,391,813
Total Liabilities	6,799,414	8,391,813
Equity		
Capital stock - ₱1 par value		
Subscribed - 17,500,000 shares (Note 15)	17,500,000	17,500,000
Treasury shares (Note 15)	(79,255)	-
Unrealized gain on financial assets at FVOCI (Note 10)	4,104,017	55,000
Retained earnings (Note 15)	11,873,162	9,984,027
Total Equity	33,397,924	27,539,027
	₱40,197,338	₱35,930,840

See accompanying Notes to Financial Statements.



RELIABLE INSURANCE BROKERS, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
COMMISSION INCOME	₱18,700,552	₱18,491,801
EXPENSES		
Personnel costs (Note 13)	10,355,664	9,862,626
Transportation and travel	1,090,354	744,419
Entertainment, amusement and recreation	843,783	493,261
Depreciation and amortization (Note 8)	817,955	1,016,778
Outside services	763,166	704,707
Taxes and licenses	460,819	433,359
Utilities	425,852	593,233
Directors' fees	405,667	510,211
Rent (Note 16)	386,038	379,529
Office supplies	273,217	196,167
Insurance	37,280	43,381
Others	353,322	260,067
	16,213,117	15,237,738
OTHER INCOME		
Dividend income (Note 10)	202,879	277,361
Interest income (Notes 4 and 5)	4,093	244,414
Others	–	1,126,892
	206,972	1,648,667
INCOME BEFORE INCOME TAX	2,694,407	4,902,730
PROVISION FOR INCOME TAX (Note 14)		
Current	400,121	148,020
Final	819	50,194
Deferred	404,332	1,470,988
	805,272	1,669,202
NET INCOME	1,889,135	3,233,528
OTHER COMPREHENSIVE INCOME		
<i>Item that will be not be reclassified to profit or loss in subsequent periods:</i>		
Unrealized gain on financial assets at FVOCI (Note 10)	4,751,196	20,000
Income tax effect	(702,179)	–
	4,049,017	20,000
TOTAL COMPREHENSIVE INCOME	₱5,938,152	₱3,253,528

See accompanying Notes to Financial Statements.



RELIABLE INSURANCE BROKERS, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 15)	Treasury Shares (Note 15)	Unrealized Gain on Financial Assets at FVOCI (Note 10)	Retained Earnings (Note 15)	Total
BALANCES AS AT DECEMBER 31, 2020	₱17,500,000	₱-	₱35,000	₱6,750,499	₱24,285,499
Net income	-	-	-	3,233,528	3,233,528
Other comprehensive income	-	-	20,000	-	20,000
Total comprehensive income	-	-	20,000	3,233,528	3,253,528
BALANCES AS AT DECEMBER 31, 2021	17,500,000	-	55,000	9,984,027	27,539,027
Treasury shares	-	(79,255)	-	-	(79,255)
Net income	-	-	-	1,889,135	1,889,135
Other comprehensive income	-	-	4,049,017	-	4,049,017
Total comprehensive income	-	-	4,049,017	1,889,135	5,938,152
BALANCES AS AT DECEMBER 31, 2022	₱17,500,000	(₱79,255)	₱4,104,017	₱11,873,162	₱33,397,924

See accompanying Notes to Financial Statements.



RELIABLE INSURANCE BROKERS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,694,407	4,902,730
Adjustments for:		
Movement in retirement liability (Note 17)	1,578,561	–
Depreciation and amortization (Note 8)	817,955	1,016,778
Interest income (Notes 4 and 5)	(4,093)	(244,414)
Dividend income (Note 10)	(202,879)	(277,361)
Operating income before working capital changes	4,883,951	5,397,733
Decrease (increase) in:		
Receivables	2,871,575	3,043,456
Other assets	(3,056,760)	(2,664,198)
Decrease in:		
Payable to insurance companies	(2,488,595)	(5,065,287)
Accounts payable and accrued liabilities	(1,384,543)	(847,142)
Net cash from operations	825,628	(135,438)
Income taxes paid, including final taxes	(400,940)	(198,214)
Interest received	4,093	244,414
Net cash generated from (used in) operating activities	428,781	(89,238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Note 10)	202,879	277,361
Redemption of preferred shares (Note 10)	–	8,000,000
Acquisition of software cost	–	(29,000)
Acquisition of preferred shares (Note 10)	–	(1,000,000)
Acquisition of common shares (Note 10)	–	(8,000,000)
Purchase of treasury shares (Note 15)	(79,255)	–
Acquisitions of property and equipment (Note 8)	(105,644)	–
Net cash generated from (used in) investing activities	17,980	(751,639)
NET INCREASE (DECREASE) IN CASH	446,761	(840,877)
CASH AT BEGINNING OF YEAR	2,965,316	3,806,193
CASH AT END OF YEAR (Note 4)	₱3,412,077	₱2,965,316

See accompanying Notes to Financial Statements.



RELIABLE INSURANCE BROKERS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issue of the Financial Statements

Corporate Information

Reliable Insurance Brokers, Inc. (RIBI or the Company) was incorporated in the Philippines on March 21, 1996. The Company's primary purpose is to carry on the business of insurance and insurance brokers; to act as managers except the management of funds, securities, portfolio or similar assets of the managed entities, for any insurance company, in connection with its or his insurance or underwriting business wherever the same may be carried on or any branch of the same, and to enter into any agreement for such purpose with any such insurance company; to engage in the solicitation, negotiation, procurement and/or placement of risks, such as buildings and its contents, machineries and equipment, motor vehicles, marine hull and cargoes, money securities and payroll, general and personal accident, liability, livestock, bonds, fidelity guarantee and any other risks that may relate to the making of any insurance contract and/or taking out of insurance in behalf of an insured, in exchange for any compensation, commission or other thing of value, act or aids in any manner.

The registered business address of the Company is 4/F RFM Corporate Center, Corner Sheridan, Pioneer Sts., Mandaluyong City.

Authorization for Issue of the Financial Statements

The financial statements were authorized for issue by the Board of Directors (BOD) on May 30, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at FVOCI which have been measured at fair value. The financial statements are presented in Philippine Peso (₱ or Peso), which is the Company's presentation and functional currency. All amounts are rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except with respect to the following new accounting pronouncements adopted by the Company starting January 1, 2022. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.



At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendment has no impact to the financial statements.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.



- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company. The amendments have no impact to the financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the financial statements.

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.



The Company is still assessing the impact of the amendments to the financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The Company is still assessing the impact of the amends to the financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.



Effective beginning on or after January 1, 2025

- **PFRS 17, *Insurance Contracts***

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Company.

Deferred Effectivity

- **Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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

An asset is current when it is:

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



All other assets including deferred taxes are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities including deferred tax liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash

Cash represents cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Fair Value Measurement

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

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

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

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

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

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

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

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



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

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

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial assets and financial liabilities consist of amortized cost, fair value through other comprehensive income (FVOCI) and other financial liabilities.

Financial Assets

Initial recognition and measurement of financial assets

The Company classifies financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition



Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at December 31, 2022 and 2021, the Company's financial assets at amortized cost include Cash and Receivables.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a partial recovery of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted and unquoted equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



Impairment of financial assets

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Determining the stage for impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Receivables'.

The Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.



Subsequent measurement - other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction cost.

As at December 31, 2022 and 2021, the Company's other financial liabilities include Payable to insurance companies, Funds held for insurance claims, Accounts payable and accrued expenses.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit and loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement 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 assets and settle the liabilities simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Prepaid taxes

Prepaid taxes include creditable withholding taxes (CWT) which represent taxes paid in excess of the income tax payable. CWT that are expected to be applied against income tax payable in the next 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent asset. The amount estimated as not realizable through application against future income tax due is provided with valuation allowance. This valuation allowance is reversed when future taxable income is expected in the near future.

Value-Added Tax (VAT)

Expenses and assets are recognized, net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of the acquisition of asset or as part of the expense item, as applicable
- When receivable and payables are stated with the amount of VAT included.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Property and Equipment and Software Cost

Property and equipment and Software Cost are carried at cost less accumulated depreciation and accumulated impairment losses, if any.



The initial cost of items of property and equipment and software cost consists of its purchase price, including import duties, and any directly attributable costs of bringing the asset to its working conditions and locations for its intended use. Expenditures incurred after the property and equipment and software cost have been put into operations, such as repairs and maintenance costs, are normally recognized to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment and software cost beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment and software cost.

Depreciation commences when the property and equipment is available for its intended use. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent assets held for sale* and the date the item is derecognized.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment and software cost as follows:

	Number of Years
Transportation equipment	5
Office furniture and fixtures	3 - 5
Software cost	5

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment and software cost is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in statement of comprehensive income in the year the item is derecognized.

Investment Properties

Investment properties consist of subdivision lots that are not occupied substantially for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and any impairment losses. Land is carried at cost less any impairment in value.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount off the asset is recognized in profit or loss in the period of derecognition.



A transfer is made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfer between investment properties and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Impairment of Property and equipment, Investment properties and Software cost

The carrying values of property and equipment, investment properties and software cost are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units (CGUs) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. 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 assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss.

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

Payable to Insurance Companies

Payable to insurance companies pertain to premiums collected from policyholders but not yet remitted to insurance companies.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are recognized in the period in which the related goods or services are received or when a legally enforceable claim against the Company is established.

Capital Stock

Capital stock is classified as equity and recorded at par.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policies and other capital adjustments.



Treasury shares

When the Company purchases its own shares of capital stock, the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and related tax effects is include in equity.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that it is acting as an agent in its revenue arrangements because it does not control the specified goods or services before these are transferred to the customer. Therefore, the Company's revenue is the net amount of consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Commission income

Revenue from commissions is recognized over time as the insurance broker satisfies its performance obligation upon collection of each installment payment from policyholders, in proportion to the actual collections received and remitted to date.

Revenue outside the scope of PFRS 15

Interest income

Interest income is recognized as the interest accrues using the EIR method.

Dividend income

Dividend income on investments in shares of stock is recognized when the Company's right to receive the payment is established, which is the date when the dividend declaration is approved by the investee's BOD and/or stockholders.

Expenses

Expenses constitute costs of administering the business. These are recognized as expense when incurred.

Leases

As a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term lease of office space (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.



Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as “Income tax payable” in the statements of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of “Other current assets” in the statement of financial position.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused net operating loss carryover (NOLCO) and Minimum Corporate Income Tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO and MCIT 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 future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be utilized.

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

Deferred tax item recognized outside the statements of comprehensive income is recognized in correlation to the underlying transaction either in statements of other comprehensive income or directly in equity.

Provisions and Contingencies

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

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

Retirement Liability

The Company’s retirement liability is measured using the accrual approach based on the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as “The Philippine Retirement Pay Law”. Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees’ years of service, without consideration of future changes in salary rates and service periods.



Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly, when the effects become determinable.

Judgments

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

Revenue from contracts with customers

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in brokerage agreements*

The Company provides brokerage services, which consist of the promise to place or sell an insurance policy, collect premiums from policyholders and remit the amounts collected to insurance companies.

The Company determined that for brokerage services, the promise to place or sell an insurance policy, collect premiums from policyholders and remit the amounts collected to insurance companies are considered as a single distinct performance obligation as these represent a combined output and the Company would not be able to satisfy its performance obligation by transferring each of the services independently.

- *Principal versus agent considerations*

The Company enters into contracts with insurance companies to arrange for the provision of the specified service (i.e., place or sell insurance policies, collect premiums from policyholders and remit the amount collected to insurance companies). The Company determined that it does not control the specified goods or service (i.e., insurance policies) provided by the insurance companies before these are transferred to the customer (i.e., policyholder). The following factors indicate that the Company does not control the goods before they are being transferred to customers. Therefore, the Company determined that it is acting as an agent in these contracts.

- The Company is not primarily responsible for fulfilling the promise to provide the insurance coverage to policyholders.
- The Company has no discretion in establishing the price for the insurance policies. The Company's consideration in the contracts with insurance companies is only the commission amount based on the specified percentage of premiums collected from the policyholders.



In addition, the Company concluded that it transfers control over time as the insurance broker satisfies its performance obligation upon collection of each installment payment from policyholders, in proportion to the actual collections received and remitted to date. In this case, the insurance company (customer) simultaneously receives and consumes the benefits provided by the insurance broker's performance (i.e., actual collections received and remitted to date) as the insurance broker performs the service.

Accounting Estimates

The key estimates and assumptions concerning the future and other key sources of estimation uncertainties at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of impairment of CWTs

The Company assessed the realizability of its CWTs (recorded under Prepaid taxes account) based on expected future taxable income. CWTs, net of allowance for impairment losses, amounted to ₱13.45 million and ₱10.46 million as at December 31, 2022 and 2021, respectively (Note 7).

Provision for expected credit losses

The Company assessed that the credit risk on cash in banks did not increase significantly since initial recognition considering that the cash in banks are held by financial institutions with low credit risk or equivalent to investment grade quality. As a result, the Company only measured the loss allowance for cash in banks at an amount equal to 12-month ECL.

The aggregate carrying amounts of cash in banks is ₱3.41 million and ₱2.95 million as at December 31, 2022 and December 31, 2021, respectively (Note 4).

For measuring the credit risk of receivables, the Company also applies the 12-month ECL since credit risk did not increase significantly since initial recognition and are not credit-impaired upon origination.

Carrying amounts of receivables is ₱3.70 million and ₱6.57 million as at December 31, 2022 and 2021, respectively. No expected credit loss was recognized in 2022 and 2021 (Note 5).

Recognition of deferred tax assets

The carrying value of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Total recognized deferred tax assets amounted to ₱0.31 million and ₱0.72 million as at December 31, 2022 and 2021, respectively, since management believes that the Company will have sufficient future taxable income to allow the recognition of deferred income tax assets on the deductible temporary differences (Note 14).



4. Cash

This account consists of:

	2022	2021
Cash on hand	₱15,000	₱15,000
Cash in banks	3,397,077	2,950,316
	₱3,412,077	₱2,965,316

Cash in banks consists of deposits in local banks which earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to ₱4,093 and ₱7,525 in 2022 and 2021 respectively.

5. Receivables - net

This account consists of:

	2022	2021
Due from a related party (Note 12)	₱1,517,232	₱1,379,599
Receivable from insurance companies	798,613	1,147,795
Advances to directors and officers	154,074	180,533
Commission receivable	-	2,480,183
Others	1,231,557	1,384,941
	₱3,701,476	₱6,573,051

Receivable from insurance companies pertains to advances made by the Company related to claims made by policyholders which are collectible within the Company's grace period of 90 days.

Commission receivable pertains to commission income on the collected premiums from the policyholders based on the agreed rates by the Company and the insurance companies. These are generally collectible within 30-60 days.

Others pertain to retainer's fee and other receivables from employees.

Interest income earned from due from a related party amounted to nil and ₱0.24 million in 2022 and 2021, respectively (Note 12).

6. Payable to Insurance Companies

Payable to insurance companies pertain to premiums collected from policyholders but not yet remitted to insurance companies. These are usually paid within 90 days.



7. Other Assets

	2022	2021
Prepaid taxes	₱14,995,772	₱12,007,170
Less noncurrent portion	12,518,594	10,278,150
Current portion	2,477,178	1,729,020
Less allowance for impairment losses	1,549,106	1,549,106
	928,072	179,914
Prepaid expenses	317,996	110,639
Others	52,390	183,250
	₱1,298,458	₱473,803

The allowance for impairment losses pertains to prepaid taxes. There were no movements in allowance for impairment losses in 2022 and 2021.

8. Property and equipment and Software cost

2022

	Leasehold improvements	Transportation equipment	Office furniture and fixtures	Software cost	Total
Cost					
Balances at January 1	₱984,233	₱4,169,794	₱1,099,550	₱617,400	₱6,870,977
Additions	-	-	105,644	-	105,644
Disposals	-	1,389,794	-	-	1,389,794
Balances at December 31	984,233	2,780,000	1,205,194	617,400	5,586,827
Accumulated Depreciation					
Balances at January 1	984,233	2,549,307	968,056	141,643	4,643,239
Depreciation and amortization	-	625,490	68,985	123,480	817,955
Disposals	-	1,389,794	-	-	1,389,794
Balances at December 31	984,233	1,785,003	1,037,041	265,123	4,071,400
Net Book Values	₱-	₱994,997	₱168,153	₱352,277	₱1,515,427

2021

	Leasehold improvements	Transportation equipment	Office furniture and fixtures	Software cost	Total
Cost					
Balances at January 1	₱984,233	₱4,169,794	₱1,099,550	₱588,400	₱6,841,977
Additions	-	-	-	29,000	29,000
Disposals	-	-	-	-	-
Balances at December 31	984,233	4,169,794	1,099,550	617,400	6,870,977
Accumulated Depreciation					
Balances at January 1	984,233	1,715,348	907,267	19,613	3,626,461
Depreciation and amortization	-	833,959	60,789	122,030	1,016,778
Disposals	-	-	-	-	-
Balances at December 31	984,233	2,549,307	968,056	141,643	4,643,239
Net Book Values	₱-	₱1,620,487	₱131,494	₱475,757	₱2,227,738

Aggregate cost of fully depreciated property and equipment still in use amounted to ₱1.79 million and ₱1.83 million as at December 31, 2022 and 2021, respectively.



9. Investment Properties

On February 24, 2014, a “Dacion en Pago” agreement was executed between the Company and Philtown Properties, Inc. (Philtown) wherein, in full payment of the latter’s obligation amounting to ₱1.48 million, it offered three subdivision lots from its Ridgemont project located at Calamba, Laguna to which the former accepted as payment.

On March 4, 2016, the BOD resolved that the Ridgemont project be accepted and transferred in the name of the Company since no replacement lots were provided by Philtown to the Company.

Payment of the transfer tax, documentary stamp tax and registration fees amounting to ₱0.10 million was borne by the Company while all other cost was borne by Philtown.

The aggregate fair value of the Company’s subdivision lots amounted to ₱3.00 million which was based on the valuation performed by an independent firm of appraisers as of December 31, 2022, using the Market Approach.

The appraised value of the subdivision lots was determined using the market data approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on location (+5%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of the land (Level 3 - significant unobservable inputs).

The Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

No rental income earned and direct cost incurred on the investment properties as of December 31, 2022 and 2021.

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2022	2021
Quoted equity investments	₱173,500	₱103,500
Unquoted equity investments	15,681,196	11,000,000
	₱15,854,696	₱11,103,500

Movements in the fair value reserve recognized in other comprehensive income (net of tax effect) are as follows:

	2022	2021
At January 1	₱55,000	₱35,000
Fair value changes	4,049,017	20,000
At December 31	₱4,104,017	₱55,000

As at December 31, 2022 and 2021, financial assets designated at FVOCI amounting to ₱173,500 and ₱103,500, respectively, consist of club shares in Capitol Golf and stock investment in PLDT.



Financial assets designated at FVOCI are carried at fair value based on the quoted price of the shares as at reporting date. The unrealized loss and gain recognized on the financial assets shown as part of “Other comprehensive income” in the statements of comprehensive income amounted to ₱70,000 and ₱20,000 as at December 31, 2022 and 2021, respectively.

In 2019, the Company acquired 80,000 preferred shares of CSFC, amounting to ₱8 million recognized as investment in CSFC as at December 31, 2019.

In 2020, the Company acquired an additional 20,000 preferred shares of CSFC, amounting to ₱2 million. As at December 31, 2020, the Company has an investment in CSFC of 100,000 preferred shares amounting to ₱10 million.

In 2021, CSFC redeemed 80,000 of its preferred shares at par value. The Company then acquired an additional 10,000 preferred shares of CSFC, amounting to ₱1 million. As at December 31, 2022, the Company has an investment in CSFC of 30,000 preferred shares with fair value amounting to ₱3.00 million.

The Company also acquired common shares of CSFC, amounting to ₱8 million in 2021. As at December 31, 2022, the fair value of the common shares amounted to ₱12.68 million.

The redeemable preferred stock of CSFC has the following rights, terms and conditions:

- a. The holders of the redeemable preferred stock shall not have the right to vote, except on the matters specifically stated in Section 6 - *Classification of shares* of the Philippine Corporation Code.
- b. The holders of redeemable preferred stock shall be entitled to receive dividends based on the discretion of the BOD of CSFC. The holders of redeemable preferred stock shall not have the right to participate in the dividends declared to the holders of common stock.
- c. CSFC may redeem the redeemable preferred shares at any time, from time to time, in whole or in part, as may be determined by the BOD of CSFC, at a price not lower than the par value of the preferred stock.
- d. In the event of any dissolution or liquidation or winding up, whether voluntary or involuntary, of CSFC, except in connection with a merger or consolidation, the holders of redeemable preferred stock shall be entitled to be paid in full both the par value of the shares and the unpaid dividends accrued thereon, before any amount shall be paid to the holders of the common stock.

Dividend income from financial assets at FVOCI amounted to ₱0.20 million and ₱0.28 million in 2022 and 2021, respectively.

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2022 and 2021.



11. Accounts Payable and Other Current Liabilities

	2022	2021
Accrued expenses	₱978,428	₱1,860,238
Referrer payable	953,074	439,416
Advances from customers	915,621	1,547,991
Funds held for insurance claims	887,733	957,245
Withholding taxes payable	227,160	90,497
Accounts payable	152,765	603,938
	₱4,114,781	₱5,499,325

Accrued expenses pertain to retainer's fee of human resource services and legal services, janitorial services and various accruals.

Funds held for insurance claims pertain to funds set aside for claims relating to motorcar and fire insurance policies.

In 2022, the Company reclassified retirement liability amounting to ₱0.60 million which was recorded as part of accrued expenses (Note 17).

12. Related Party Transactions

The Company has the following transactions with its related parties for the years ended December 31:

	Relationship	Nature of Transaction	Years	Amount	Outstanding		Terms	Conditions
					Receivable	(Payable)		
CSFC	Entity under common control	Purchase of CSFC preferred stock (Note 10)	2022	₱-	₱-	Noninterest-bearing, payable on demand	Unsecured	
			2021	₱1,000,000	₱-			
		Purchase of CSFC common stock (Note 10)	2022	-	-	Noninterest-bearing, payable on demand	Unsecured	
			2021	8,000,000	-			
Interest on placements (Note 5)	2022	-	-	-	-			
	2021	236,889	-	-	-			
		Common expenses (Note 5)	2022	137,633	1,517,232	Noninterest-bearing, payable on demand	Unsecured, no impairment	
			2021	1,379,599	1,379,599			
Key management personnel	Short-term employee benefits	2022	7,257,889	-	-	-	-	
		2021	6,556,321	-	-	-	-	
Total due from related party		2022		₱1,517,232				
		2021		₱1,379,599				
Total due to related party		2022			₱-			
		2021			₱-			



Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Company has not recognized any provision for expected credit losses on amounts due from related parties for the years ended December 31, 2022 and 2021. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

13. Personnel Costs

	2022	2021
Salaries and wages	₱6,499,803	₱6,560,011
Other employee benefits	3,855,861	3,302,615
	₱10,355,664	₱9,862,626

14. Income Taxes

- a. The Company's provision for current income tax consists of regular corporate income tax and minimum corporate income tax in 2022 and 2021, respectively.
- b. A reconciliation of income tax computed at the statutory tax rate to provision for income tax as shown in the statement of comprehensive income follows:

	2022	2021
Income tax at statutory rate	₱543,997	₱980,546
Adjustments resulting from:		
Application of excess MCIT with previous deferred income tax set-up	295,611	-
Nondeductible expenses	131,356	61,670
CREATE impact	-	681,148
Interest income already subjected to final tax	-	1,310
Dividend income exempted from income tax	(40,576)	(55,472)
Movement in unrecognized deferred tax assets	(120,000)	-
Provision for income tax	₱810,388	1,669,202

- c. The Company's deferred tax assets represent the tax effects of the commission income accrued for tax purposes and the tax effects of NOLCO and MCIT. The details of deferred tax assets of the Company follow:

	2022	2021
Deferred tax assets:		
Retirement liability	₱310,597	₱-
NOLCO	-	424,434
MCIT	-	295,611
Deferred tax assets	₱310,597	₱720,045



The Company did not recognize the deferred tax assets on the following temporary differences:

	2022	2021
Retirement liability	P-	P600,000

In 2022, the unrecognized deferred tax asset on retirement liability was recognized.

As of December 31, 2022, deferred tax liability relating to unrealized gain on financial assets at FVOCI amounted to P1.52 million (nil in 2021).

- d. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2022, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment period	Amount	Applied	Expired	Balance
2020	2021-2025	P6,811,467	P6,811,467	P-	P-

In 2022 and 2021, the Company applied NOLCO amounting to P2.12 million and P4.69 million, respectively.

As at December 31, 2022, the Company has excess MCIT that can be claimed as deductions against future taxable income and tax payable, as follows:

Year Incurred	Availment period	Amount	Applied	Expired	CREATE effect	Balance
2020	2021-2023	P147,593	P110,695	P-	P36,898	P-
2021	2022-2024	184,916	184,916	-	-	-
		P332,059	P295,611	P-	P36,898	P-

- e. Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding P100 million



(excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as at December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower MCIT rate of 1.0% and RCIT rate of 20% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱36,898, which was reflected in the Company's 2020 annual income tax return but was only recognized for financial reporting purposes in its 2021 financial statements.
- This resulted in lower deferred tax assets as at December 31, 2020 by ₱0.72 million and provision for deferred tax for the year then ended by ₱0.72 million. These reductions were recognized only in the 2021 financial statements.

15. Equity

Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to ensure that it maintains sufficient capital to safeguard its ability to continue as a going concern. The Company is subject to external capital requirements mandated by the Insurance Commission (IC) in order to sustain investor confidence and engender domestic capacity and capability of insurance and reinsurance brokers.

Per Section 3 of IC CL No. 2018-52 issued by the IC, Existing Insurance Brokers must have a net worth of ₱10,000,000. As of December 31, 2022 and 2021, the Company is fully compliant to the net worth as required under the IC circular.

The Company considers the following as capital:

	2022	2021
Capital stock	₱17,500,000	₱17,500,000
Treasury shares	(79,255)	-
Retained earnings	11,873,162	9,984,027
	₱29,293,907	₱27,484,027



In 2022, the Company repurchased 50,000 shares held as treasury shares at ₱1.59 per share for ₱79,255.

The Company continues to manage its capital structure and makes adjustment to it in the light of changes in economic conditions. No changes were made in the objectives, policies or processes for the years ended December 31, 2022 and 2021.

16. Lease Commitment

The Company leases its office space from a third party for a period of one year, renewable every year at rates mutually agreed by the parties. In 2021, the Company renewed its lease agreement from May 5, 2021 to May 5, 2022 with monthly rental fee of ₱30,809. The Company subsequently renewed it in 2022 from May 5, 2022 to May 5, 2023 with monthly rental fee of ₱32,348.

Rent expense amounted to ₱386,038 and ₱379,529 for the years ended December 31, 2022 and 2021, respectively.

17. Retirement Liability

The Company recognized the amount of retirement benefits for its qualified employees following the minimum benefit required by Republic Act No. 7641, *Retirement Pay Law*, using accrual approach.

The movements in the retirement liability during the years ended December are as follows:

	2022	2021
Balance at beginning of year	₱-	₱-
Reclassification (Note 11)	600,000	-
Retirement expense	1,018,266	-
Benefits paid	(65,283)	-
Balance at end of year	₱1,552,983	₱-

18. Financial Instruments and Financial Risk Management Objectives and Policies

Fair Values

The carrying amounts of cash, interest receivable, accounts payable and accrued expenses, due to related parties, and dividends payable approximate their fair values due to their relatively short-term maturities and demand feature. Carrying value of loans receivable approximates fair value because their interests are at market.

Financial assets at FVOCI are measured fair values which were determined by reference to prevailing market prices as at December 31, 2022 and 2021.

Financial Risk Management Policy

The main purpose of the Company's financial instruments is to fund the Company's operations. The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's policy in managing credit and liquidity risk is summarized below:



Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company trades only with recognized, creditworthy third parties and related parties. The Company controls this credit risk through strict monitoring procedures and regular coordination with the customers.

The Company's gross maximum exposure to credit risk is equal to the carrying amounts of its financial assets as at December 31, 2022 and 2021.

The Company's cash in banks are deposited with reputable banks and are categorized as low risk financial assets since these are held by financial institutions with investment grade credit ratings.

The Company applies the 12-month ECL since credit risk did not increase significantly since initial recognition and are not credit-impaired upon origination.

The following tables show the credit quality of financial assets as at December 31, 2022 and 2021:

2022

	Neither past due nor impaired		Past due but not impaired				Impaired Financial Assets	Total
	Excellent	Good	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 Days		
Cash in banks	₱3,397,077	₱-	₱-	₱-	₱-	₱-	₱-	₱3,397,077
Receivables:								
Commission receivable	-	-	-	-	-	-	-	-
Due from a related party	1,517,232	-	-	-	-	-	-	1,517,232
Receivable from insurance companies	798,613	-	-	-	-	-	-	798,613
Advances to directors and officers	154,074	-	-	-	-	-	-	154,074
Others	1,231,557	-	-	-	-	-	-	1,231,557
	₱7,098,553	₱-	₱-	₱-	₱-	₱-	₱-	₱7,098,553

2021

	Neither past due nor impaired		Past due but not impaired				Impaired Financial Assets	Total
	Excellent	Good	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 Days		
Cash in banks	₱2,950,316	₱-	₱-	₱-	₱-	₱-	₱-	₱2,950,316
Receivables:								
Commission receivable	2,480,183	-	-	-	-	-	-	2,480,183
Due from a related party	1,379,599	-	-	-	-	-	-	1,379,599
Receivable from insurance companies	1,147,795	-	-	-	-	-	-	1,147,795
Advances to directors and officers	180,533	-	-	-	-	-	-	180,533
Others	1,384,941	-	-	-	-	-	-	1,384,941
	₱9,523,367	₱-	₱-	₱-	₱-	₱-	₱-	₱9,523,367

Cash in banks are classified as "Excellent" accounts since they are deposited and invested with reputable banks and can be withdrawn anytime. The Company classifies its Receivables as "Excellent" account, except for past due receivables.

Liquidity risk

Liquidity risk is 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 tables summarize per class the maturity profile of the Company's financial assets and liabilities as at December 31, 2022 and 2021 based on undiscounted contractual payments.



2022

	On demand	Less than three months	More than three months	Total
Cash	₱3,412,077	₱-	₱-	₱3,412,077
Receivables:				
Commission receivable	-	-	-	-
Due from a related party	1,517,232	-	-	1,517,232
Receivable from insurance companies	798,613	-	-	798,613
Advances to directors and officers	154,074	-	-	154,074
Others	1,231,557	-	-	1,231,557
	7,113,553	-	-	7,113,553
Other financial liabilities:				
Payable to insurance companies	-	(403,893)	-	(403,893)
Accounts payable	(152,765)	-	-	(152,765)
Advances from customers	(915,621)	-	-	(915,621)
Accrued expenses	(978,428)	-	-	(978,428)
Funds held for insurance claims	(887,733)	-	-	(887,733)
	(2,934,547)	(403,893)	-	(3,338,440)
Liquidity position (gap)	₱4,179,006	(₱403,893)	₱-	₱3,775,113

2021

	On demand	Less than three months	More than three months	Total
Cash	₱2,965,316	₱-	₱-	₱2,965,316
Receivables:				
Commission receivable	2,480,183	-	-	2,480,183
Due from a related party	1,379,599	-	-	1,379,599
Receivable from insurance companies	1,147,795	-	-	1,147,795
Advances to directors and officers	180,533	-	-	180,533
Others	1,384,941	-	-	1,384,941
	9,538,367	-	-	9,538,367
Other financial liabilities:				
Payable to insurance companies	-	(2,892,488)	-	(2,892,488)
Accounts payable	(603,938)	-	-	(603,938)
Advances from customers	(1,547,991)	-	-	(1,547,991)
Accrued expenses	(1,860,238)	-	-	(1,860,238)
Funds held for insurance claims	(957,245)	-	-	(957,245)
	(4,969,412)	(2,892,488)	-	(7,861,900)
Liquidity position (gap)	₱4,568,955	(₱2,892,488)	₱-	₱1,676,467

19. Supplementary Information Required Under Revenue Regulations 34-2020 and 15-2010

Revenue Regulations No. 15-2010

The Company reported and/or paid the following types of taxes in 2022:

Output VAT

The table below shows the net sales/receipts and output VAT declared in the Company's VAT returns.

	Net sales	Output VAT
Vatable sales	₱17,494,497	₱2,099,340
Exempt sales	839,975	-
	₱18,334,472	₱2,099,340



Input VAT

Balance at January 1	₱-
Current year's domestic purchases for:	
Goods other than capital goods	225,570
Services	384,082
Application against output VAT	(556,265)
Amortization of deferred input VAT on capital goods	-
	<u>₱53,387</u>

VAT cash payments for the year amounted to ₱1,122,962.

Withholding Taxes

The details of the Company's withholding taxes paid and accrued in 2022 are as follows:

Withholding taxes on compensation and benefits	₱1,123,931
Expanded withholding taxes	73,787
	<u>₱1,197,718</u>

Taxes and License Fees

Insurance Commission license fee	₱260,537
Business permits	174,532
Insurance Commission supervision fee	25,250
BIR registration fee	500
	<u>₱460,819</u>

Tax Assessments and Cases

The Company has no deficiency tax assessments, whether protested or not. The Company has not been involved in any cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

Revenue Regulations No. 34-2020

The Company is not covered by the requirements and procedures for related party transactions under Section 2 of Revenue Regulations No. 34-2020 since the Company does not meet any of the criteria mentioned below.

- a) Large Taxpayers;
- b) Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
- c) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- d) A related party, as defined under Section 3 of Revenue Regulations (RR) No. 19-2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

