R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-343
e-mail : info@rrtan.net

PRC-BOA Reg. No. 0132, valid until December 31, 2021
SEC Accreditation No. A-173-F, valid until June 30, 2020
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022
IC Accreditation No. F-2017-013-R, valid until November 26, 2020

Report of Independent Public Accountants

The Board of Directors and Stockholders
ARIANS INSURANCE BROKER, INC.
Unit 1202, 12th Floor, MDI Building
10th Avenue corner 39th Street
Bonifacio Global City
Taguig City 1634

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **ARIANS INSURANCE BROKER, INC.** (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, 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, 2019 and 2018, 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 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 Regulation (RR) 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By: **CHESTER NIMITZ F. SALVADOR**
Partner
CPA Certificate No. 0129556
Tax Identification No. 307-838-154
PTR No. 5242109, January 4, 2020, Pasig City
SEC Accreditation No. A-877A, valid until June 30, 2020
BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022
IC Accreditation No. 129556-IC, valid until March 1, 2025

March 29, 2020
Pasig City

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	Notes		2019		2018
Current Assets					
Cash and cash equivalents	8	P	9,721,593	P	10,660,732
Premiums and other receivables	9		22,761,902		19,500,269
Prepayments and other current assets	10		2,796,592		1,248,465
Total Current Assets			35,280,087		31,409,466
Non-current Assets					
Property and equipment - net	11		3,549,696		4,271,542
Investment	12		2,000,000		2,000,000
Deferred tax asset	19		2,127,168		2,098,947
Total Non-current Assets			7,676,864		8,370,489
TOTAL ASSETS		P	42,956,951	P	39,779,955
LIABILITIES AND EQUITY					
Current Liabilities					
Due to insurance companies	13	P	19,606,511	P	17,039,081
Accounts payable and accrued expenses	14		693,141		701,470
Lease liabilities	18		554,254		-
Total Current Liabilities			20,853,906		17,740,551
Non-current Liabilities					
Advances from stockholders	15		1,996,723		3,947,723
Total Liabilities			22,850,629		21,688,274
Equity					
Share capital	16		20,000,000		20,000,000
Contingency surplus	16		5,351,000		3,400,000
Deficit			(5,244,678)		(5,308,319)
Total Equity			20,106,322		18,091,681
TOTAL LIABILITIES AND EQUITY		P	42,956,951	P	39,779,955

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes		2019		2018
REVENUES					
Commission		P	**12,619,412**	P	8,903,450
Other income	17		**631,655**		524,132
			13,251,067		9,427,582
EXPENSES					
Salaries and other employee benefits			**6,951,869**		6,644,827
Depreciation	11		**2,127,697**		1,109,678
Commission expense			**1,561,413**		1,592,138
Transportation and travel			**765,967**		578,366
Representation and entertainment			**240,836**		215,369
Communication, light and water			**209,355**		167,314
Association dues			**177,600**		192,400
Taxes and licenses			**168,078**		43,433
Insurance			**88,385**		100,069
Office supplies			**76,003**		92,642
Professional fee			**72,980**		90,682
Interest expense	18		**72,853**		-
Rent	18		**67,804**		1,196,037
Advertising and promotions			**61,123**		33,063
Repairs and maintenance			**54,570**		47,284
Others			**38,669**		112,437
			12,735,202		12,215,739
INCOME (LOSS) BEFORE INCOME TAX EXPENSE			**515,865**		(2,788,157)
INCOME TAX EXPENSE (BENEFIT)	19		**248,723**		(685,727)
NET INCOME (LOSS)			**267,142**		(2,102,430)
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE INCOME (LOSS)		P	**267,142**	P	(2,102,430)

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes		**2019**		2018
SHARE CAPITAL	*16*	P	**20,000,000**	P	20,000,000
CONTINGENCY SURPLUS					
Balance at January 1			**3,400,000**		-
Additions	*16*		**1,951,000**		3,400,000
Balance at December 31			**5,351,000**		3,400,000
DEFICIT					
Balance at January 1, as previously reported			**(5,308,319)**		(3,205,889)
Transition adjustment	*4*		**(203,501)**		-
Balance at January 1, as adjusted			**(5,511,820)**		(3,205,889)
Net income (loss) for the period			**267,142**		(2,102,430)
Balance at December 31			**(5,244,678)**		(5,308,319)
BALANCES AT DECEMBER 31		P	**20,106,322**	P	18,091,681

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax expense		P	515,865	P	(2,788,157)
Adjustments for:					
Depreciation	11		2,127,697		1,109,678
Interest expense			72,853		-
Interest income			(413,791)		(318,217)
Operating Income (Loss) before Working Capital Changes			2,302,624		(1,996,696)
(Increase) Decrease in Operating Assets:					
Premiums and other receivables			(3,260,283)		(9,731,499)
Prepayments and other current assets			(28,821)		287,830
Increase (Decrease) in Operating Liabilities:					
Due to insurance companies			2,567,430		8,513,866
Accounts payable and accrued expenses			(8,330)		295,747
Cash generated from operations			1,572,620		(2,630,752)
Income taxes paid, including final taxes			(1,796,248)		(1,149,395)
Net Cash Used in Operating Activities			(223,628)		(3,780,147)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	11		(25,295)		(995,390)
Interest received			412,441		298,154
Placement of time deposit			-		(2,000,000)
Net Cash Provided by (Used in) Investing Activities			387,146		(2,697,236)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities			(1,029,804)		-
Payment of interest			(72,853)		-
Payment of advances from stockholders			(1,951,000)		(3,400,000)
Proceeds from contingency surplus	16		1,951,000		3,400,000
Net Cash Used in Financing Activities			(1,102,657)		-
NET DECREASE IN CASH AND CASH EQUIVALENTS			(939,139)		(6,477,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			10,660,732		17,138,115
CASH AND CASH EQUIVALENTS AT END OF YEAR		P	9,721,593	P	10,660,732

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Corporate Information

Arians Insurance Broker, Inc. (the Company) was incorporated and duly registered with the Philippine Securities and Exchange Commission (SEC) under Reg. No. CS201700608 on January 9, 2017. The principal activities of the Company are insurance brokerage and consultancy and management, among others. The Company is licensed by the Insurance Commission (IC) as a life and non-life insurance broker.

The Company's registered office address and principal place of business is at Unit 1202, 12th Floor, MDI Building, 10th Avenue corner 39th Street Bonifacio Global City, Taguig City 1634.

The accompanying financial statements were approved, and authorized for issuance by the Board of Directors on March 29, 2020.

2. Statement of Compliance and Basis of Preparation and Presentation

Statement of Compliance
The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as set forth in Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and interpretations thereof. PFRS are adopted standards by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

Basis of Financial Statements Preparation and Presentation
The financial statements have been prepared on the historical cost basis, except for financial instruments measured at amortized cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

The financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All financial information presented in Philippine peso has been rounded to the nearest peso.

3. Summary of Significant Accounting Policies

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

Current Versus Non-current Classification
The Company presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

<u>Financial Instruments</u>

Date of Recognition

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

Initial Recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of these financial instruments includes transaction costs.

Determination of Fair Value

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification and Measurement of Financial Assets

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. Except for financial assets at FVPL, all financial assets are initially measured at fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

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.

- Financial Assets at Amortized Cost

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 (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents and premiums and other receivables.

- Financial Assets at Fair Value through Other Comprehensive Income (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.

Subsequent to initial recognition, financial assets at FVOCI are carried at fair value. Gains and losses on these financial assets are never recycled to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of December 31, 2019 and 2018, the Company has no financial instrument under this category.

Debt instruments
A debt financial asset is measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2019 and 2018, the Company does not have debt instruments at FVOCI.

- Financial Assets at Fair Value through Profit or Loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are subsequently carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. Dividends are also recognized as other income in the statement of profit or loss when the right of payment has been established.

  As of December 31, 2019 and 2018, the Company does not have financial assets at FVPL.

Classification and Measurement of Financial Liabilities
Financial liabilities are measured at amortized cost, except for the following:
(i) Financial liabilities measured at fair value through profit or loss;
(ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
(iii) Financial guarantee contracts;
(iv) Commitments to provide a loan at a below-market interest rate; and
(v) Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

(i) If a host contract contains one or more embedded derivatives; or
(ii) If a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As of December 31, 2019 and 2018, included in this category are the Company's accounts payable and accrued expenses, due to insurance companies and lease liabilities.

Reclassification of Financial Assets

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets:

(i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
(ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established probability of default rates for third party trade receivables based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company applies the historical credit loss method in case undue cost or effort is involved in calculating the ECL by considering the forward-looking factors. For inter-group trade receivables, the Company has established probability of default rates based on internal credit rating of the customers. Internal credit ratings are based on methodologies adopted by independent credit rating agencies. Therefore, the internal ratings already consider forward looking information.

The Company considers a financial asset to be in default when contractual payments are 180 days past due. However, the Company considers internal or external information when there are indicators 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.

Derecognition of Financial Instruments

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party.

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

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

Financial Liabilities

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

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents are defined as cash on hand, cash in bank, and demand deposits with original maturities of three months or less that are subject to insignificant risk of changes in value.

<u>Premiums and Other Receivables</u>

Receivables which are based on normal credit terms and do not bear interest are recognized and carried at original invoice amount. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest rate (EIR) method. At the end of each reporting period, the carrying amount of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. An estimate for doubtful accounts is made when collection of the full amount or a portion thereof is no longer probable.

<u>Input VAT</u>

Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value.

<u>Prepayments</u>

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

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

<u>Property and Equipment</u>

Property and equipment are initially recognized at cost which comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Subsequent to initial recognition, the Company measures all items of property and equipment at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 and other limits on the use of the assets.

Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets as follows:

IT Equipment	3 years
Leasehold Improvements	5 years
Furniture and Fixtures	3 years
Transportation Equipment	5 years
Right-of-use assets	4 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Impairment of Assets

Receivables

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. Receivables determined to be uncollectible are written-off against the allowance.

Prepayments and Other Current Assets

The Company provides allowance for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets.

Property and Equipment

At the end of the reporting period, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset or group of related assets is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognized immediately in statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset or group of related assets in prior years. A reversal of an impairment loss is recognized immediately in the statements of comprehensive income.

Due to Insurance Companies
Due to insurance companies represents insurance premiums payable to insurance companies. These are recognized initially at transaction price and subsequently measured at amortized cost using EIR method.

Accounts Payable and Accrued Expenses
Accounts payable and other liabilities are obligations on the basis of normal credit terms and do not bear interest. These are recognized initially at transaction price and subsequently measured at amortized cost using EIR method.

Share Capital
Common shares are classified as equity. Share capital is recognized when the shares are paid for or subscribed under a binding subscription agreement and is measured at par value.

Retained Earnings (Deficit)
Retained Earnings (Deficit) represents the cumulative balance of periodic net income and losses incurred, prior period adjustments effect of change in accounting policy and other capital adjustments.

Revenue Recognition
The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific recognition criteria must also be met before revenue is recognized:

Commission Income
Commission income is recognized based on premium billings upon performance of service to the insured and upon issuance of policies by the insurer. Premiums due from the insured are collectible by the Company for the account of the insurers and are remitted to insurers within the credit terms.

Interest Income
Interest income from savings accounts and time deposit is recognized as interest accrues taking into account the effective yield on the related asset. Interest income presented in the statement of comprehensive income is gross of related final withholding taxes.

Other Income
Other income is recognized when the related services are performed. Other income are earnings generated outside the normal course of business and are recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

Expense Recognition
Expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of direct association between the cost incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the nature of expense method.

Short-term Employee Benefits
Salaries and wages are recognized in profit or loss when the employees' services have been rendered to the Company.

Other Employee Benefits
Other employee benefits include Social Security System, Philhealth and other contributions, 13th month pay and other incentives provided to employees. These are recognized in profit or loss when the employees' services have been rendered to the Company.

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

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

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

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

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

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

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

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

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

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- Did not recognized right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

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

Policy Applicable before January 1, 2019
For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

    i. the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    ii. the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than insignificant amount of the output; or
    iii. facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee
As a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total rent expense, over the term of the lease.

<u>Retirement Benefits</u>
The Company provides for estimated retirement benefits to be paid under RA 7641 to all its regular employees.

The accrued retirement liability represents the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits is actuarially determined using the projected unit credit method.

Defined benefit costs include service cost, interest on the net accrued benefit liability and remeasurements of net accrued benefit liability.

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

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

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

<u>Income Taxes</u>

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts 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 end of the reporting period.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period 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 asset to be utilized.

Deferred income tax assets and 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 end of the reporting period.

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

<u>Foreign Currency Transactions</u>

Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Foreign exchange gains or losses arising from foreign currency transactions and restatements are recognized in the statement of comprehensive income.

Related Party Transactions
Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

Provisions
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 obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the financial statements, these are disclosed in the notes to the 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 the financial statements when an inflow of economic benefits is probable.

Events after the End of the Reporting Period
The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

4. Changes in Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2019.

PFRS 16, *Leases*
PFRS 16, Leases, supersedes PAS 17, Leases, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

On January 1, 2019, the Company adopted the requirements of PFRS 16, which have substantial impact on the Company's financial statements. The Company recognized right-of-use (ROU) assets and lease liabilities in relation to leases which had previously been classified as operating under PAS 17 and Philippine Interpretations IFRIC 4. The adoption of PFRS 16 resulted to the recognition of ROU assets and lease liabilities amounting to P1,380,556 and P1,584,057, respectively. Net restatement to retained earnings amounted to P203,501 as at January 1, 2019. *(see Notes 11 and 18)*

Below table outlines the reconciliation between the two standards:

Operating lease commitments - December 31, 2018	P	1,667,433
Discounting impact using the incremental borrowing rate		(83,376)
Lease liabilities - January 1, 2019	P	1,584,057

The Company used different practical expedients as permitted by PFRS 16. It has elected to measure the ROU asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized in the financial statements immediately before the date of initial application. The transition to PFRS 16 is discussed in the accounting policy on leases. *(see Note 3)*

When measuring lease liabilities for lease that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on January 1, 2019 is 6.50%.

Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some prepayable financial assets.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments have no effect on the Company's financial statements since the Company does not have financial instruments with prepayment features with negative compensation.

Annual Improvements to PFRSs (2015-2017 cycle)
The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and did not have any material impact to the Company's financial statements. They include:

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

- PAS 12, Income Taxes
  The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- PAS 23, Borrowing Costs
  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendment clarifies that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments have no effect on the Company's financial statements since the Company does not have long-term interests in associates and joint ventures.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes.*

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgments and estimates if facts and circumstances change.

The interpretation is effective for periods beginning on or after January 1, 2019. Earlier application is permitted. The adoption of this interpretation has no significant impact on the Company's financial statements as the Company does not have any uncertainty over income tax treatments under PAS 12.

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*
The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted. The adoption of these amendments has no effect on the Company's financial statements as the Company does not have any plan amendment, curtailment and settlement in its existing retirement plan.

<u>Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2019</u>

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2019 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

PFRS 17, *Insurance Contracts*
PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of the financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- Identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- Divides the contracts into groups that it will recognize and measure;
- Recognizes and measures groups of insurance contracts at:

    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); or
    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);

- Recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- Presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- Discloses information to enable users of the financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2025. Earlier application is permitted. The adoption of the new standard will not have an impact on the Company as it is not an issuer of insurance contracts.

Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
PAS 8.31(b-d) The amendments relate to a revised definition of 'material':

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the consolidated financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted. The Management of the Company is still evaluating the impact of these new amendments.

Amendments to PFRS 3, *Business Combinations - Definition of Business*
The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The Management of the Company is still evaluating the impact of these new amendments.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in conformity with PFRS for SMEs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency in which funds from financing activities of the Company are generated and the currency in which payments for operations are usually made.

Determination of Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 to 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
- 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.

Classifying Lease Commitments prior to January 1, 2019 - Company as a Lessee

The Company has operating lease agreements for its office space. The Company has determined that the risks and rewards of ownership of the underlying properties have been retained by the lessors. Accordingly, the leases are accounted for as operating leases (see Note 18).

Classifying Lease Commitments beginning January 1, 2019 - Company as a Lessee

The Company has entered into commercial property leases for its office. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company elected to use the exemption requirement of the standard. ROU assets and lease liabilities amounted to P460,185 and P554,254, respectively, as at December 31, 2019. *(see Notes 11 and 18)*

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

The Company also assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Management believes that there was no indication of impairment on the Company's financial and nonfinancial assets in 2019 and 2018. Accordingly, no impairment loss was recognized.

<u>Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Probable Losses on Receivables
The Company evaluates specific accounts where the Company has information that certain customers are unable to meet their financial obligations. The Company assess individually the receivables based on factors that affect its collectability. Factors such as the Company's length of relationship with the customers and the customers' current credit status are considered to ascertain the amount of allowances that will be recorded in the receivable amount. These allowances are re-evaluated and adjusted as additional information is received.

No provisions for probable losses were, provided on receivables in 2019. The carrying values of premiums and other receivables amounted to P22,761,902 and P19,500,269 as at December 31, 2019 and 2018, respectively. *(see Note 9)*

Estimating Allowance for Impairment Losses on Prepayments and Other Current Assets
The Company provides allowance for impairment losses on prepayments and other current assets when it can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates.

There was no provision for impairment losses on prepayments and other current assets recognized in 2019. The carrying value of the prepayments and other current assets amounted to P 2,796,592 and P1,248,465 as at December 31, 2019 and 2018, respectively. *(see Note 10)*

Estimating 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 results of operations 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.

Estimating allowance for Impairment Losses on Property and Equipment
An impairment review is performed when events or changes in circumstances indicate that the carrying value of property and equipment may not be recoverable. The factors that the Company considered important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant changes in the manner and use of the acquired assets or the strategy for overall business. Management has determined that there are no events or changes in circumstances in 2019 that may indicate that the carrying value of property and equipment may not be recoverable.

There was no provision for impairment loss on property and equipment recognized in 2019. As at December 31, 2019 and 2018, the carrying value of property and equipment amounted to P3,549,696 and P4,271,542, respectively. *(see Note 11)*

Recognition of deferred tax asset
Management's assessment on the recognition of deferred tax assets is based on the projected taxable income in the following periods. As of December 31, 2019 and 2018, the Company recognized deferred tax assets amounting to P2,127,168 and P2,098,947, respectively, as management believes that sufficient future taxable income will be available against which the deferred tax assets can be utilized. *(see Note 19)*

6. Fair Value Measurement

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

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

Assets and liabilities measured at fair value are categorized in a manner discussed in Note 5.

The following table presents the fair value of the Company's financial assets and liabilities as of December 31, 2019 and 2018.

2019	Level 1	Level 2	Level 3
Financial Assets:			
Cash and cash equivalents	P -	P 9,711,593	P -
Premiums and other receivables	-	22,761,902	-
Investment	-	2,000,000	-
	P -	P 34,473,495	P -
Financial Liabilities:			
Due to insurance companies	P -	P 19,606,511	P -
Accounts payable and accrued expenses	-	693,141	-
Lease liabilities	-	554,254	-
Advances from stockholders	-	1,996,723	-
	P -	P 22,850,629	P -

**Amount is exclusive of cash on hand amounting to P10,000*

2018		Level 1		Level 2		Level 3
Financial Assets:						
Cash and cash equivalents	P	-	P	10,650,732	P	-
Premiums and other receivables		-		19,500,269		-
Investment		-		2,000,000		-
	P	-	P	32,151,001	P	-
Financial Liabilities:						
Due to insurance companies	P	-	P	17,039,081	P	-
Accounts payable and accrued expenses		-		701,470		-
Advances from stockholders		-		3,947,723		-
	P	-	P	21,688,274	P	-

**Amount is exclusive of cash on hand amounting to P10,000*

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, premiums and other receivables, due to insurance companies and accounts payable and accrued expenses approximate their fair values.

The carrying values of investments, lease liabilities and advances from stockholders approximate their fair values. Fair values have been calculated by discounting the expected future cash flows at the prevailing interest rates for instruments with similar maturities. Fair values of these financial instruments were classified under the Level 2 fair value hierarchy.

7. Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of risks, which include credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the President under policies approved by the BOD.

Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements). These financial assets are not supported by collateral from the counterparties.

The following table provides the credit quality per class of the Company's financial assets as of December 31, 2019 and 2018:

	December 31, 2019								
		Neither Past Due Nor Impaired - High Grade	Past Due But Not Impaired						Total
				31 to 60 days		61 to 90 days		91 to 120 days	
Cash and cash equivalents	P	9,711,593	P	-	P	-	P	-	P 9,711,593
Premiums and other receivables		22,761,902		-		-		-	22,761,902
Investment		2,000,000		-		-		-	2,000,000
Total	P	34,473,495	P	-	P	-	P	-	P 34,473,495

	December 31, 2018				
	Neither Past Due Nor Impaired - High Grade	Past Due But Not Impaired			
		31 to 60 days	61 to 90 days	91 to 120 days	Total
Cash and cash equivalents	P 10,650,732	P -	P -	P -	P 10,650,732
Premiums and other receivables	19,500,269	-	-	-	19,500,269
Investment	2,000,000	-	-	-	2,000,000
Total	P 32,151,001	P -	P -	P -	P 32,151,001

As of December 31, 2019 and 2018, all of the Company's financial assets are considered to be of high grade quality. High grade receivables consist of receivables from customers and other parties with good credit standing with the Company and with a history of no or little delay in payments.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2019	**On demand**	**Not later than one month**	**Later than 1 month & not later than 3 months**	**Later than 3 months & not later than 1 year**	**Later than one year**	**Total**
Due to insurance companies	**P 19,606,511**	**P -**	**P -**	**P -**	**P -**	**P 19,606,511**
Accounts payable and accrued expenses	**693,141**	**-**	**-**	**-**	**-**	**693,141**
Lease liabilities	**554,254**	**-**	**-**	**-**	**-**	**554,254**
Advances from stockholders	**1,996,723**	**-**	**-**	**-**	**-**	**1,996,723**
	P 22,850,629	**P -**	**P -**	**P -**	**P -**	**P 22,850,629**

2018	On demand	Not later than one month	Later than 1 month & not later than 3 months	Later than 3 months & not later than 1 year	Later than one year	Total
Due to insurance companies	P 17,039,081	P -	P -	P -	P -	P 17,039,081
Accounts payable and accrued expenses	701,470	-	-	-	-	701,470
Advances from stockholders	3,947,723	-	-	-	-	3,947,723
	P 21,688,274	P -	P -	P -	P -	P 21,688,274

8. Cash and Cash Equivalents

The composition of this account as at December 31, 2019 and 2018 is as follows:

	2019	2018
Cash on hand	**P 10,000**	P 10,000
Cash in banks	**2,211,593**	1,541,272
Time deposits	**7,500,000**	9,109,460
	P 9,721,593	P 10,660,732

Cash in banks earn interest at the respective bank interest rates. Time deposits are demand deposits with original maturities of three months or less that are subject to insignificant risk of changes in value. Time deposits earn interest at 3.6% per annum.

Total interest earned from these investments for the years ended December 31, 2019 and 2018 amounted to P413,791 and P318, 217, respectively.*(see Note 17)*

9. Premiums and Other Receivables

This account as at December 31, 2019 and 2018 consist of:

		2019		2018
Premiums receivable	P	**22,418,442**	P	19,356,889
Commissions receivable		**303,007**		94,037
Accrued interest receivable		**22,861**		21,511
Others		**17,592**		27,832
	P	**22,761,902**	P	19,500,269

Premiums receivable pertain to the premiums due from policyholders. Collections from such are then remitted to the insurance companies.

Commissions receivable are usually due within 90 days and non-interest bearing.

10. Prepayments and Other Current Assets

The composition of this account as at December 31, 2019 and 2018 is as follows:

		2019		2018
Creditable withholding taxes	P	**2,692,993**	P	1,191,044
Input vat		-		18,047
Other prepayments		**103,599**		39,374
	P	**2,796,592**	P	1,248,465

Input vat represents VAT paid on purchases of goods and services, which can be recovered as tax credit against Output VAT of the Company.

As at December 31, 2019, Management believes that the recoverable amounts of prepayments and other current assets are equal to their carrying amounts.

11. Property and Equipment

Movements in the carrying amounts of the Company's property and equipment are as follows:

2019		IT Equipment		Leasehold Improvements		Furniture and Fixtures		Transportation Equipment		Right-of-use Asset (Note 18)		Total
Cost												
January 1	P	142,800	P	2,500,500	P	37,800	P	3,200,000	P	-	P	5,881,100
Effect of PFRS 16		-		-		-		-		1,380,556		1,380,556
Additions		-		-		25,295		-		-		25,295
December 31		142,800		2,500,500		63,095		3,200,000		1,380,556		7,286,951
Accumulated depreciation												
January 1		61,700		727,591		13,718		806,549		-		1,609,558
Depreciation		47,600		500,100		19,626		640,000		920,371		2,127,697
December 31		109,300		1,227,691		33,344		1,446,549		920,371		3,737,255
Net carrying value	P	33,500	P	1,272,809	P	29,751	P	1,753,451	P	460,185	P	3,549,696

2018		IT Equipment		Leasehold Improvements		Furniture and Fixtures		Transportation Equipment		Total
Cost										
January 1	P	75,800	P	2,375,000	P	24,196	P	2,410,714	P	4,885,710
Additions		67,000		125,500		13,604		789,286		995,390
December 31		142,800		2,500,500		37,800		3,200,000		5,881,100
Accumulated depreciation										
January 1		25,267		229,583		3,958		241,072		499,880
Depreciation		36,433		498,008		9,760		565,477		1,109,678
December 31		61,700		727,591		13,718		806,549		1,609,558
Net carrying value	P	81,100	P	1,772,909	P	24,082	P	2,393,451	P	4,271,542

12. Investment

The account represents time deposit amounting to P2,000,000 with original maturity of 4 years and earn interest at 4% per annum.

13. Due to Insurance Companies

Movements of this account for the years ended December 31, 2019 and 2018 are as follows:

		2019		2018
Balance, January 1	P	**17,039,081**	P	8,525,215
Additions		**75,901,575**		35,292,771
Remittances		**(73,334,145)**		(26,778,905)
Balance, December 31	P	**19,606,511**	P	17,039,081

Due to insurance companies pertains to insurance premiums collectible from the policy holders, recorded as part of Premiums receivable, which will be remitted to the insurance companies, net of the Company's commission, within 30 days from the date of collection. No interest is charged on the outstanding balances of due to insurance companies.

14. Accounts Payable and Accrued Expenses

As at December 31, 2019 and 2018, this account consist of:

		2019		2018
Government payables	P	**216,293**	P	277,552
Accrued expenses		**149,800**		117,530
Other payables		**327,048**		306,388
	P	**693,141**	P	701,470

Government payables pertains to vat payable and salary-rated remittances payable to government that are due within thirty (30) days.

Accrued expenses pertain to accrued employee benefits, which are normally settled within 30 days after the end of the month. Other payables pertain to customer deposit payable, commission payable of sub agent and utilities of the company.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to directly, indirectly, control, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders, and/or their close family members) or other entities and include entities that are under the significant influence of related parties of the Company where those parties are individuals or any entities that is a related party of the Company.

The Company's significant transactions and outstanding balances with related parties as at December 31, 2019 and 2018 and for the years then ended are as follows:

Date	Category	Amount of transactions	Outstanding balance	Terms and conditions
2019	Stockholders *Cash advances*	P -	P **1,996,723**	No fixed repayment date; Non-interest bearing; unsecured; Payable in cash
2018	Stockholders *Cash advances*	-	3,947,723	No fixed repayment date; Non-interest bearing; unsecured; Payable in cash

a. In the normal course of business, the Company obtains cash advances from stockholders for working capital requirements.

b. Total compensation to key management personnel shown as part of Salaries and Wages amounted to P5,799,376 and P5,794,042 in 2019 and 2018, respectively.

16. Equity

Share Capital

The Company's Share Capital as at December 31, 2019 and 2018 consist of:

	Shares		Amount
Authorized - P100 par value	**500,000**	**P**	**50,000,000**
Issued and outstanding	**200,000**		**20,000,000**

Contingency Surplus

The company established a Contingency Surplus amounting to P5,351,000 and P3,400,000 as at December 31, 2019 and 2018, respectively. This represents the contributions of the stockholders to cover the capital impairment and net worth deficiency.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The capital structure of the Company consist of share capital, contingency surplus and retained earnings. Contingency surplus pertains to capital infused by the Company's shareholders as a result of the deficit from the net operating losses in prior year called upon in order to meet the capitalization requirements of the Insurance Commission.

Under existing requirements of Insurance Commission Memorandum Circular No. 1-2006 which covers the capitalization requirements for insurance brokers, the net worth of an existing insurance broker should not be less than P20,000,000, computed as the total assets net of the total liabilities of an insurance broker. As at December 31, 2019 and 2018, the Company's net worth amounted to P20,106,322 and P18,091,681, respectively.

There were no changes in the Company's approach to capital risk management during the year.

The Company has complied with the imposed capital requirement as of December 31, 2019.

17. Other Income

The Company's other income for the years ended December 31, 2019 and 2018 consists of:

		2019		2018
Interest income	P	**413,791**	P	318,217
Others		**217,864**		205,915
	P	**631,655**	P	524,132

Others, include income earned and received from insurance companies, which were derived from paid insurance policies.

18. Lease Agreements

The Company has been a party to an assignment of a lease contract originally entered into by a third party (Assignor) on May 30, 2016. The subject of the lease contract is an office space with a total area of 92.5 square meters and one (1) parking slot. The original lease shall be for a term of four (4) years beginning on July 16, 2016 and ending on July 15, 2020. The Company, being the Assignee, has agreed to such assignment and assumed the rights, duties and responsibilities of the lessee under the Contract of Lease effective April 16, 2017.

a. Lease liabilities
Set out below are the carrying amounts of lease liabilities and the movement during the period:

		2019
Balance at January 1, 2019, as previously reported	P	-
Effect of adoption of standard (Note 4)		1,584,057
At January 1, as restated		1,584,057
Interest charge for the year		72,853
Payments made		(1,102,656)
Balance at December 31, 2019	P	554,254

Shown below is the maturity analysis of the undiscounted lease payments:

Lease liability under PFRS 16		2019
Due within one year	P	564,776
After one year but not more than five years		-
More than five years		-
	P	564,776

Leases under PAS 17		2018
Due within one year	P	1,102,657
After one year but not more than five years		564,776
More than five years		-
	P	1,667,433

c. Amounts recognized in statements of comprehensive income
Set out below, are the amounts recognized in the statements of comprehensive income:

2019 - Leases under PFRS 16		
Interest on lease liability	P	72,853
Depreciation expense		920,371
Rent expense relating to short-term leases		67,804
	P	1,061,028
2018 - Operating leases under PAS 17		
Rent expense	P	1,196,037

19. Income Taxes

a. The Company's provision for income tax expense (benefit) for the years ended December 31, 2019 and 2018 are broken down as follows:

		2019		2018
Current	P	**276,944**	P	63,642
Deferred		**(28,221)**		(749,369)
	P	**248,723**	P	(685,727)

Provision for current income tax pertains to current tax expense on service and other income and final tax on interest income.

b. The reconciliation between the provision for income tax at statutory rates and the provision for income tax as shown in the statement of comprehensive income in 2019 and 2018 is as follows:

		2019		2018
Statutory income tax	P	**154,759**	P	(836,447)
Add (deduct) adjustments for:				
Interest income subjected to final tax		**(124,137)**		(95,465)
Final tax		**82,758**		63,642
Non-deductible expense		**135,343**		182,543
	P	**248,723**	P	(685,727)

c. Components of deferred tax asset recognized in the statements of financial position pertains to the following:

		2019		2018
NOLCO	P	**2,098,947**	P	2,098,947
Leases		**28,221**		-
	P	**2,127,168**	P	2,098,947

d. Details of Net Operating Loss Carry Over (NOLCO) are as follows:

Inception		Original amount		Applied		Remaining balance	Expiry
2017	P	4,498,593	P	-	P	4,498,593	2020
2018		2,497,897		-		2,497,897	2021
	P	6,996,490	P	-	P	6,996,490	

20. Other Matters

Non-cash investing and financing activities
Excluded in the 2019 statements of cash flows are the additions to right-of-use asset and lease liabilities amounting to P1,380,556 and P1,584,057, respectively.

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

These events resulted to a slowdown in the Philippine economy as lockdowns and quarantine measures were put in place. While the financial impact is considered a non-adjusting event as at December 31, 2019, the effect on the Company's operations and financial performance, however, cannot be reasonably determined as at March 29, 2020. The Company believes that it can remain on a going concern when the State of Calamity is lifted.

21. Supplementary Information Required under Revenue Regulation 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulation 15-2010 which requires additional tax information to be disclosed in the notes to financial statements. The following information covering the calendar year ended December 31, 2019 is presented in compliance thereto.

- VAT output tax declared in the Company's VAT returns amounting to P909,769 relates to commission income collected amounting to P7,581,408.

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

Balance at the beginning of year	P	18,047
Current year's purchases/payments for:		
Goods		219,810
Services		-
Capital goods		-
Claims for tax credit and other adjustments		(237,857)
Balance at the end of year	P	-

- The breakdown of withholding taxes paid and accrued for the year are as follows:

		Paid		Accrued		Total
Tax on compensation and benefits	P	1,087,182	P	105,930	P	1,193,112
Creditable withholding tax		117,823		28,274		146,097
	P	1,205,005	P	134,204	P	1,339,209

- As of December 31, 2019, the Company has no pending tax cases within and outside the administration of the Bureau of Internal Revenue.

- Taxes and licenses presented in the Company's statement of comprehensive income is broken down as follows:

IC Brokers License renewal	P	90,900
Local business tax		30,698
Supervision fee		25,250
Filing fee		15,150
Real property tax		5,580
Annual BIR registration		500
	P	168,078

ARIANS INSURANCE BROKER, INC.
LIST OF ATTACHMENTS TO ANNUAL INCOME TAX RETURN
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019

Statements and Schedules

Audited Financial statements	X
Schedule of cost of goods manufactured and sol	NA
Schedule of taxes and licenses	X
Schedule of manufacturer's sales taxes and advance sales taxes paid	NA
Schedule of income-producing properties and income therefrom	NA
Schedule of dividends (cash or its equivalent or stock) paid, duly verified by an officer under oath	NA
Others (enumerate)	
Schedule of depreciaton	X

BIR Forms

BIR Form 1701-B1, Alphabetical List of BIR Form 1701-B Submitted	NA
BIR Form 1702-E, Incentives availed of under R.A. 5186	NA
Form 1702 E-1, Incentives availed of under R.A. 6135	NA
BIR Form 1702-B -- Details of income and expenses (if an insurance company other than a mutual life insurance company)	NA
BIR Form 1702G (if an offshore banking unit or a foreign currency deposit unit)	NA
BIR Form 1745 C -- Summary statement of interests paid on time and savings deposit subject to withholding tax (if a bank)	NA
Others (enumerate)	

X -- attached

ARIANS INSURANCE BROKER, INC.
SCHEDULE OF DEPRECIATION
CALENDAR YEAR ENDED DECEMBER 31, 2019

Kinds of Property	Method	Annual Rate %	Depreciable Cost Beginning	Addition	Disposition	Ending
IT Equipment	Straight line	33%	P 142,800	P -	P -	P 142,800
Leasehold Improvement	Straight line	20%	2,500,500	-	-	2,500,500
Furnitures & Fixtures	Straight line	33%	37,800	25,295	-	63,095
Transportation Equipment	Straight line	20%	3,200,000	-	-	3,200,000
Right-of-Use Asset	Straight line	25%	-	1,380,556	-	1,380,556
Total			P 5,881,100	P 1,405,851	P -	P 7,286,951

	Accumulated Depreciation Beginning	Provision for Depreciation	Disposition	Ending	Net Carrying Value
IT Equipment	P 61,700	P 47,600	P -	P 109,300	P 33,500
Leasehold Improvement	727,591	500,100	-	1,227,691	1,272,809
Furnitures & Fixtures	13,718	19,626	-	33,344	29,751
Transportation Equipment	806,549	640,000	-	1,446,549	1,753,451
Right-of-Use Asset	-	920,371	-	920,371	460,185
Total	P 1,609,558	P 2,127,697	P -	P 3,737,255	P 3,549,696

ARIANS INSURANCE BROKER, INC.
SCHEDULE OF TAXES AND LICENSES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019

Kind of Tax	Official Receipt Number	Date Paid		Amount
IC Brokers License renewal	-do-	-do-	P	90,900
Local business tax	-do-	-do-		30,698
Supervision fee	-do-	-do-		25,250
Filing fee	-do-	-do-		15,150
Real property tax	-do-	-do-		5,580
Annual BIR registration	-do-	-do-		500
TOTAL			**P**	**168,078**