



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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**SEC Registration No.:** CS201700608

**Company Name:** ARIANS INSURANCE BROKER, INC.

**Industry Classification:** J67030

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST1050220228353469

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2021

**Submission Type:** Annual

**Remarks:** None



Noel Tolete &lt;noel.b.tolete@arians.ph&gt;

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Hi ARIANS INSURANCE BROKER INC,

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# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

A	R	I	A	N	S		I	N	S	U	R	A	N	C	E		B	R	O	K	E	R	,		I	N	C	.		

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

U	N	I	T		1	2	0	2	,	1	2	T	H		F	L	O	O	R	,	M	D	I		B	L	D	G	.	
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B	O	N	I	F	A	C	I	O		G	L	O	B	A	L		C	I	T	Y	,									
T	A	G	U	I	G		C	I	T	Y																				

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

chona.m.jacinto@arians.ph
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Company's Telephone Numbers

816-3271
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Mobile Number

N/A
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No. of Stockholders

11
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Annual Meeting (Month / Day)

Second Tuesday of May
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Fiscal Year (Month / Day)

December 31
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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Chona M. Jacinto
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Email Address

chona.m.jacinto@arians.ph
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Telephone Number/s

816-3163
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Mobile Number

0920-9612383
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**CONTACT PERSON'S ADDRESS**

19A San Francisco Street Kapitolyo Pasig City 1603
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete details of the new contact person designated.

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

**ARIANS INSURANCE BROKER, INC.**

FINANCIAL STATEMENTS  
December 31, 2021 and 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, 2021 and 2020, 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, 2021 and 2020, 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 24 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. 8131887, January 12, 2022, Pasig City

SEC Accreditation No. 1812-A, valid until July 23, 2023

BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022

IC Accreditation No. 129556-IC, valid until March 1, 2025

March 29, 2022  
Pasig City

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R. R. Tan & Associates, CPAs

Unit 1705, Antel Global Corporate Center, Doña Julia Vargas Avenue, Ortigas Center, Pasig City 1605

PRC-BOA Reg. No. 0132, valid until August 13, 2024  
SEC Accreditation No.0394-F, valid until July 23, 2023  
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022  
IC Accreditation No. 0132-IC, valid until November 17, 2024

**Report of Independent Public Accountants to Accompany Financial Statements for filing  
with Securities and Exchange Commission**

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

We have audited the financial statements of **ARIANS INSURANCE BROKER, INC.** as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 29, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of four (4) stockholders owning one hundred (100) or more shares each.

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**  
Partner  
CPA Certificate No. 0129556  
Tax Identification No. 307-838-154  
PTR No. 8131887, January 12, 2022, Pasig City  
SEC Accreditation No. 1812-A, valid until July 23, 2023  
BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022  
IC Accreditation No. 129556-IC, valid until March 1, 2025

March 29, 2022  
Pasig City



**ARIANS INSURANCE BROKER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	<i>Notes</i>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>			
Cash and cash equivalents	8 P	3,427,247 P	3,809,061
Investments at fair value through profit or loss	9	3,989,935	3,988,944
Premiums and other receivables	10	34,202,632	42,469,112
Prepayments	11	5,957,755	4,059,162
Total Current Assets		47,577,569	54,326,279
<b>Non-current Assets</b>			
Property and equipment - net	12	2,443,366	4,665,944
Long-term investment	13	2,000,000	2,000,000
Deferred tax assets	21	91,713	773,816
Other Assets	14	630,898	-
Total Non-current Assets		5,165,977	7,439,760
<b>TOTAL ASSETS</b>	<b>P</b>	<b>52,743,546 P</b>	<b>61,766,039</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Due to insurance companies	15 P	28,479,951 P	36,098,730
Accounts payable and accrued expenses	16	986,421	695,233
Lease liabilities - current	20	1,170,762	1,024,285
Total Current Liabilities		30,637,134	37,818,248
<b>Non-current Liabilities</b>			
Lease liabilities - net of current portion	20	636,860	1,807,623
Advances from stockholders	17	1,996,723	1,996,723
Total Non-current Liabilities		2,633,583	3,804,346
<b>TOTAL LIABILITIES</b>		<b>33,270,717</b>	<b>41,622,594</b>
<b>Equity</b>			
Share capital	18	20,000,000	20,000,000
Contingency surplus	18	5,351,000	5,351,000
Deficit		(5,878,171)	(5,207,555)
Total Equity		19,472,829	20,143,445
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P</b>	<b>52,743,546 P</b>	<b>61,766,039</b>

*See accompanying Notes to Financial Statements*

**ARIANS INSURANCE BROKER, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Notes	2021	2020
<b>REVENUES</b>			
Commission	P	11,909,955	P 12,477,794
Other income	19	1,031,054	452,470
		<b>12,941,009</b>	<b>12,930,264</b>
<b>EXPENSES</b>			
Salaries and other employee benefits		6,807,430	6,963,279
Depreciation	12	2,278,828	2,192,204
Commission		1,524,889	137,518
Transportation and travel		821,623	820,270
Representation and entertainment		286,762	286,391
Communication, light and water		223,694	210,372
Interest	20	187,265	132,928
Association dues		177,600	177,600
Insurance		150,494	160,943
Professional fee		87,680	76,678
Taxes and licenses		86,895	88,833
Office supplies		77,954	78,832
Rent	20	73,800	70,729
Repairs and maintenance		27,576	36,364
Advertising and promotions		25,700	15,119
Others		9,340	51,612
		<b>12,847,530</b>	<b>11,499,672</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>93,479</b>	<b>1,430,592</b>
<b>INCOME TAX EXPENSE</b>	21	<b>764,095</b>	<b>1,393,469</b>
<b>NET INCOME</b>		<b>(670,616)</b>	<b>37,123</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	P	<b>(670,616)</b>	<b>P 37,123</b>

*See accompanying Notes to Financial Statements*

**ARIANS INSURANCE BROKER, INC.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<i>Notes</i>	<b>2021</b>		<b>2020</b>
<b>SHARE CAPITAL</b>	<i>18</i>	<b>P 20,000,000</b>	<b>P</b>	<b>20,000,000</b>
<b>CONTINGENCY SURPLUS</b>		<b>5,351,000</b>		<b>5,351,000</b>
<b>DEFICIT</b>				
Balance at January 1		<b>(5,207,555)</b>		<b>(5,244,678)</b>
Net income for the period		<b>(670,616)</b>		<b>37,123</b>
Balance at December 31		<b>(5,878,171)</b>		<b>(5,207,555)</b>
<b>BALANCES AT DECEMBER 31</b>		<b>P 19,472,829</b>	<b>P</b>	<b>20,143,445</b>

*See accompanying Notes to Financial Statements*

**ARIANS INSURANCE BROKER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax expense	P	93,479	P 1,430,592
Adjustments for:			
Depreciation	12	2,278,829	2,192,204
Interest expense		187,265	132,928
Fair value gain on FVPL investments		(991)	-
Interest income		(108,767)	(200,586)
Operating Income Before Working Capital Changes		2,449,815	3,555,138
(Increase) Decrease in Operating Assets:			
Premiums and other receivables		8,266,479	(19,715,604)
Prepayments		(2,326)	(1,262,570)
Other assets		(630,898)	-
Increase (Decrease) in Operating Liabilities:			
Due to insurance companies		(7,618,779)	16,492,219
Accounts payable and accrued expenses		291,188	2,092
Cash generated from operations (used in)		2,755,479	(928,725)
Income taxes paid, including final taxes		(1,978,257)	(40,118)
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>777,222</b>	<b>(968,843)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	12	(56,250)	(7,950)
Interest received		108,764	208,981
Placement of time deposit		-	(3,988,944)
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>52,514</b>	<b>(3,787,913)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(1,024,285)	(1,022,848)
Payment of interest		(187,265)	(132,928)
<b>Net Cash Used in Financing Activities</b>		<b>(1,211,550)</b>	<b>(1,155,776)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(381,814)</b>	<b>(5,912,532)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>3,809,061</b>	<b>9,721,593</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P	<b>3,427,247</b>	P <b>3,809,061</b>

See accompanying Notes to Financial Statements



**ARIANS INSURANCE BROKER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**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, 2022.

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**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 Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

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.

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**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; or
- 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.

### Financial Instruments

#### *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, premiums, other receivables and investment in long term time deposit.

- 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, 2021 and 2020, 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, 2021 and 2020, 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.

The Company's financial assets at FVPL include investment in mutual fund.

*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, 2021 and 2020, 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.

#### Cash and Cash Equivalents

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.

#### Premiums and Other Receivables

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.

#### Prepaid VAT

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.

#### Prepayments

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

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.



#### Property and Equipment

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	3 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.

Insurance Premium Receivable

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.

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

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.

#### *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 payments 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.

#### Retirement Benefits

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.

#### Income Taxes

##### 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.

#### Foreign Currency Transactions

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.

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#### **4. Changes in Accounting Standards**

##### *New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2021*

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, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.



Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

*Amendments to PFRS 16, Leases – COVID-19-Related Rent Concessions Beyond June 30, 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Company as a lessee, these amendments had no impact on the financial statements.

*Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 – Interest Rate Benchmark Reform Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Company.

*New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2021*

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2021 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 its financial position or performance.

*Effective beginning on or after January 1, 2022*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied prospectively.

*Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before the asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a Company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and costs are presented separately in the statement of comprehensive income.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments are not expected to have significant impact on the Company's financial statements.

*Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract: Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after January 1, 2022. The amendments are not expected to have significant impact on the Company's financial statements.

*Annual Improvements to PFRSs (2018-2020 cycle)*

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning or after January 1, 2022 and are not expected to have a significant impact on the Company's financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*  
The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.



- *PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*  
The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- *PFRS 16, Leases, Lease incentives illustrative example*  
The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- *PAS 41, Agriculture, Taxation in fair value measurements*  
The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

*Effective beginning on or after January 1, 2023*

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

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Company.

*Amendments to PAS 8, Definition of Accounting Estimates*

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

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

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

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

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and



- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

*Effective beginning on or after January 1, 2024*

*Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

*Effective beginning on or after January 1, 2025*

*PFRS 17, Insurance Contracts*

PFRS 17 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.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

#### *Deferred effectivity*

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.

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## **5. Summary of Significant Accounting Judgments and Estimates**

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

Judgments are made by management on the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



#### 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 - 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 amounted to P1,650,251 and P2,750,418 as at December 31, 2021 and 2020, respectively. Lease liabilities amounted to P1,807,623 and P2,831,908 as at December 31, 2021 and 2020, respectively. (see Notes 12 and 20)

#### *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 2021 and 2020. Accordingly, no impairment loss was recognized.

#### Estimates and Assumptions

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 2021 and 2020. The carrying values of premiums and other receivables amounted to P34,202,632 and P42,469,112 as at December 31, 2021 and 2020, respectively. (see Note 10)

##### *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 2021 and 2020. The carrying value of the prepayments amounted to P5,957,755 and P4,059,162 as at December 31, 2021 and 2020, respectively. (see Note 11)

##### *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 2021 and 2020 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 2021 and 2020. As at December 31, 2021 and 2020, the carrying value of property and equipment amounted to P2,443,366 and P4,665,944, respectively. (see Note 12)

*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, 2021 and 2020, the Company recognized deferred tax assets amounting to P91,713 and P773,816, respectively, as management believes that sufficient future taxable income will be available against which the deferred tax assets can be utilized. (see Note 21)

## 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 3.

The following table presents the fair value of the Company's financial assets and liabilities as of December 31, 2021 and 2020.

2021	Carrying amount	Quoted price Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
<b>Financial Assets:</b>				
Cash and cash equivalents	P 3,417,247	P -	P 3,417,247	P -
Investments at fair value through profit or loss	3,989,935	-	3,989,935	-
Premiums and other receivables	34,202,632	-	34,202,632	-
Long-term investment	2,000,000	-	1,849,112	-
	P 43,609,814	P -	P 43,458,926	P -
<b>Financial Liabilities:</b>				
Due to insurance companies	P 28,479,951	P -	P 28,479,951	P -
Accounts payable and accrued expenses	986,421	-	986,421	-
Lease liabilities	1,807,622	-	1,807,622	-
Advances from stockholders	1,996,723	-	1,996,723	-
	P 33,270,717	P -	P 33,270,717	P -

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



2020	Carrying amount	Quoted price Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
<b>Financial Assets:</b>				
Cash and cash equivalents	P 3,799,061	P -	P 3,799,061	P -
Investments at fair value through profit or loss	3,988,944	-	3,988,944	-
Premiums and other receivables	42,469,112	-	42,469,112	-
Long-term investment	2,000,000	-	1,777,993	-
	P 52,257,117	P -	P 52,035,110	P -
<b>Financial Liabilities:</b>				
Due to insurance companies	P 36,098,730	P -	P 36,098,730	P -
Accounts payable and accrued expenses	695,233	-	695,233	-
Lease liabilities	2,831,908	-	2,831,908	-
Advances from stockholders	1,996,723	-	1,996,723	-
	P 41,622,594	P -	P 41,622,594	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, due to insurance companies, accounts payable and accrued expenses approximate their fair values.

The carrying values of lease liabilities and advances from stockholders approximate their fair values. Fair values of long-term investment have been calculated by discounting the expected future cash flows at the prevailing interest rate of 4% for the year 2021 and 2020 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, 2021 and 2020:

	December 31, 2021						
	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 3,417,247	P -	P -	P -	P 3,417,247		
Investments at fair value through profit or loss	3,989,935	-	-	-	3,989,935		
Premiums and other receivables	34,202,632	-	-	-	34,202,632		
Long-term investment	2,000,000	-	-	-	2,000,000		
<b>Total</b>	<b>P 43,609,814</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 43,609,814</b>		



	December 31, 2020							Total
	Neither		Past Due But Not Impaired					
	Past Due Nor							
	Impaired							
	- High Grade	31 to 60 days	61 to 90 days	91 to 120 days				
Cash and cash equivalents	P 3,799,061	P -	P -	P -	P -	P -	P 3,799,061	
Investments at fair value								
through profit or loss	3,988,944	-	-	-	-	-	3,988,944	
Premiums and other receivables	42,469,112	-	-	-	-	-	42,469,112	
Long-term investment	2,000,000	-	-	-	-	-	2,000,000	
Total	P 52,257,117	P -	P -	P -	P -	P -	P 52,257,117	

As of December 31, 2021 and 2020, 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:

2021	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 28,479,951	P -	P -	P -	P -	P 28,479,951
Accounts payable and accrued expenses	986,421	-	-	-	-	986,421
Lease liabilities	-	91,555	184,918	894,290	636,860	1,807,623
Advances from stockholders	1,996,723	-	-	-	-	1,996,723
	P 31,463,095	P 91,555	P 184,918	P 894,290	P 636,860	P 33,270,718

2020	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 36,098,730	P -	P -	P -	P -	P 36,098,730
Accounts payable and accrued expenses	695,233	-	-	-	-	695,233
Lease liabilities	-	79,904	161,385	782,996	1,807,623	2,831,908
Advances from stockholders	1,996,723	-	-	-	-	1,996,723
	P 38,790,686	P 79,904	P 161,385	P 782,996	P 1,807,623	P 41,622,594

### 8. Cash and Cash Equivalents

The composition of this account as at December 31, 2021 and 2020 is as follows:

	2021		2020	
Cash on hand	P	10,000	P	10,000
Cash in banks		1,217,247		1,798,694
Time deposits		2,200,000		2,000,367
	P	3,427,247	P	3,809,061

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 0.25% per annum as of December 31, 2021 and 2020, respectively.

Total interest earned from these investments for the years ended December 31, 2021 and 2020 amounted to P7,378 and P98,919, respectively. (see Note 19)

### 9. Investment at fair value through profit and loss

As of December 31, 2021 and 2020, this account represents investment in mutual fund. The movement in this account is as follows:

	2021		2020	
Cost	P	4,000,000	P	4,000,000
Changes in fair value		(10,065)		(11,056)
	P	3,989,935	P	3,988,944

### 10. Premiums and Other Receivables

This account as at December 31, 2021 and 2020 consist of:

	2021		2020	
Premiums receivable	P	33,055,797	P	42,130,719
Commissions receivable		1,113,819		307,175
Accrued interest receivable		15,873		14,467
Others		17,143		16,751
	P	34,202,632	P	42,469,112

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.



## 11. Prepayments

The composition of this account as at December 31, 2021 and 2020 is as follows:

		2021		2020
Creditable withholding taxes	P	5,939,092	P	4,042,825
Other prepayments		18,663		16,337
	P	5,957,755	P	4,059,162

As at December 31, 2021 and 2020, management believes that the recoverable amounts of prepayments are equal to their carrying amounts.

## 12. Property and Equipment

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

2021	Leasehold Furniture and Transportation				Right-of-use Asset		Total
	IT Equipment	Improvements	Fixtures	Equipment	(Note 20)		
<b>Cost</b>							
January 1	P 150,750	P 2,500,500	P 63,095	P 3,200,000	P 3,300,502		P 9,214,847
Additions	35,000	-	21,250	-	-		56,250
December 31	185,750	2,500,500	84,345	3,200,000	3,300,502		9,271,097
<b>Accumulated depreciation</b>							
January 1	134,062	1,727,791	50,417	2,086,549	550,084		4,548,903
Depreciation	22,566	500,100	15,995	640,000	1,100,167		2,278,828
December 31	156,628	2,227,891	66,412	2,726,549	1,650,251		6,827,731
<b>Net carrying value</b>	P 29,122	P 272,609	P 17,933	P 473,451	P 1,650,251		P 2,443,366

2020	Leasehold Furniture and Transportation				Right-of-use Asset		Total
	IT Equipment	Improvements	Fixtures	Equipment	(Note 20)		
<b>Cost</b>							
January 1	P 142,800	P 2,500,500	P 63,095	P 3,200,000	P 1,380,556		P 7,286,951
Additions	7,950	-	-	-	3,300,502		3,308,452
December 31	150,750	2,500,500	63,095	3,200,000	4,681,058		10,595,403
<b>Accumulated depreciation</b>							
January 1	109,300	1,227,691	33,344	1,446,549	920,371		3,737,255
Depreciation	24,762	500,100	17,073	640,000	1,010,269		2,192,204
December 31	134,062	1,727,791	50,417	2,086,549	1,930,640		5,929,459
<b>Net carrying value</b>	P 16,688	P 772,709	P 12,678	P 1,113,451	P 2,750,418		P 4,665,944

**13. Long-term investment**

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

Total interest earned from this investment for the years ended December 31, 2021 and 2020 amounted to P101,389 and P101,667, respectively.

**14. Other Assets**

As at December 31, 2021, this account consists of:

Software in progress	P 309,598
Advance rental	217,193
Deposits	104,107
	<b>P 630,898</b>

Software in progress pertains to the custom-built insurance system to be implemented in accordance with the specifications described in the agreement.

Advance rental represents two (2) months advance rent for the lease of the company's office and parking slot, amounting to P217,193 in 2021, which shall be applied to the last three (3) months of the lease term.

Deposits represent security deposits for the lease of the company's office space and a parking lot amounting to P104,107, equivalent to the last two (2) months rent. These shall serve as a guarantee for the company's faithful performance of the provisions of the contract of lease.

**15. Due to Insurance Companies**

Movements of this as of December 31, 2021 and 2020 are as follows:

	2021		2020	
Balance, January 1	P	36,098,730	P	19,606,511
Additions		73,781,708		72,244,358
Remittances		(81,400,487)		(55,752,139)
Balance, December 31	P	<b>28,479,951</b>	P	36,098,730

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.



**16. Accounts Payable and Accrued Expenses**

As at December 31, 2021 and 2020, this account consists of:

		2021		2020
Government payables	P	215,950	P	218,084
Accrued expenses		170,380		119,182
Other payables		600,091		357,967
	P	986,421	P	695,233

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 to sub-agent and utilities of the company.

**17. 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, 2021 and 2020 and for the years then ended are as follows:

Date	Category		Amount of transactions	Outstanding balance	Terms and conditions
2021	Stockholders Cash advances	P	-	P 1,996,723	No fixed repayment date; Non-interest bearing; unsecured; Payable in cash
2020	Stockholders Cash advances		-	1,996,723	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 P5,789,358 and P5,961,752 in 2021 and 2020, respectively.

## 18. Equity

### Share Capital

The Company's Share Capital as at December 31, 2021 and 2020 consist of:

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

### Contingency Surplus

Contingency surplus as of December 31, 2021 and 2020 amounted to P5,351,000. 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 consists 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 years called upon in order to meet the capitalization requirements of the Insurance Commission.

Under existing requirements of Insurance Commission Memorandum Circular No. 52-2018 which covers the capitalization requirements for insurance brokers, the net worth of an existing insurance broker should not be less than P10,000,000, computed as the total assets net of the total liabilities of an insurance broker. As at December 31, 2021 and 2020, the Company's net worth amounted to P19,472,829 and P20,143,445, respectively.

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

## 19. Other Income

The Company's other income for the years ended December 31, 2021 and 2020 consists of:

		2021		2020
Interest income from:				
Cash and cash equivalents (Note 8)	P	7,378	P	98,919
Long-term investment (Note 13)		101,389		101,667
Unrealized gain/loss on FVPL		991		(11,056)
Others		921,296		262,940
	P	1,031,054	P	452,470

Others, include profit commission and service fee received from insurance companies, which were derived from paid insurance policies.



## 20. 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 01, 2016 and ending on June 30, 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.

The Company, upon termination of the lease contract between the Assignor and Lessor due to the expiration of the term, has renewed the contract of lease directly with the Lessor. The subject of the lease contract is still an office space with a total area of 92.5 square meters and one (1) parking slot. The lease shall be for a term of three (3) years beginning on July 01, 2020 and ending on June 30, 2023.

### A. Lease liabilities

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

	2021		2020	
Balance at January 1	P	2,831,908	P	554,254
Additions		-		3,300,502
Interest charge for the year		187,265		132,928
Payments made		(1,211,550)		(1,155,776)
		1,807,623		2,831,908
Less: Non-current portion		636,860		1,807,623
Current portion	P	1,170,763	P	1,024,285

### b. Amounts recognized in statements of comprehensive income

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

Leases under PFRS 16	2021		2020	
Interest on lease liability	P	187,265	P	132,928
Depreciation expense		1,100,167		1,010,269
Rent expense relating to short-term leases		73,800		70,729
	P	1,361,232	P	1,213,926

## 21. Income Taxes

### a. The Company's provision for income tax expense (benefit) for the years ended December 31, 2021 and 2020 are broken down as follows:

	2021		2020	
Current - Final	P	21,753	P	40,117
Deferred		742,342		1,353,352
	P	764,095	P	1,393,469

Provision for current income tax pertains to 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 2021 and 2020 is as follows:

		2021		2020
Statutory income tax	P	18,696	P	429,178
Add (deduct) adjustments for:				
Effect of CREATE		257,939		-
Expired NOLCO		346,126		-
Interest income subjected to final tax		(21,951)		(56,859)
Final tax		21,753		40,117
Non-deductible expense		141,532		981,033
	P	764,095	P	1,393,469

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

		2021		2020
MCIT	P	60,238		-
Leases		31,475		24,447
NOLCO		-		749,369
	P	91,713	P	773,816

- d. Out of the P2,497,897 NOLCO in 2018, P767,266 were applied as part of itemized deduction in computing taxable income. The remaining balance of P1,730,631 expired after the three-year carry-over period.

*Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*

On February 1, 2021, the Bicameral Conference Committee, approved the House Bill No. 4157 and Senate Bill No.1357 (the CREATE) which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE pursues to dynamically fight the effects of COVID-19 and help businesses to recover as quickly as possible.

Among the reforms provided under CREATE Act are the following:

- i. Reduction in current income tax rate effective July 1, 2020 as follows:
  - Those with assets amounting to P100 million and below, and with taxable income equivalent to P5 million and below will be subjected to a 20% tax rate.
  - Those with assets above P100 million or those with taxable income amounting to more than P5 million will be subjected to a 25% tax rate.
- ii. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%)

## 22. Other Matters

*Non-cash investing and financing activities*

Excluded in the statements of cash flows are the additions to right-of-use asset and lease liabilities amounting to P3,300,502 were reported in 2020.



**23. Effect of COVID-19 Pandemic**

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.

Different quarantine classifications were imposed nationwide which resulted to disruptions in business and economic activities and their impact on business continue to evolve. Internally, the Company continues to adapt to these including implementation of the following:

- Work-from-home arrangement for certain office and field personnel;
- Online meeting and discussion with client;
- Use of mobile banking and online platforms for certain financial transactions;

Considering the evolving nature of this outbreak, the Company continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

**24. Supplementary Information Required under Revenue Regulation 15-2010**

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 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, 2021 is presented in compliance thereto.

- VAT output tax declared in the Company's VAT returns amounting to P1,516,697 relates to commission income collected amounting to P12,639,145.
- The Vat input tax claimed is broken down as follows:

Balance at the beginning of year	P	-
Current year's purchases/payments for:		
Goods		270,979
Services		-
Capital goods		-
Claims for tax credit and other adjustments		(270,979)
<b>Balance at the end of year</b>	<b>P</b>	<b>-</b>

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

	Paid		Accrued		Total	
Tax on compensation and benefits	P	1,072,815	P	72,423	P	1,145,238
Creditable withholding tax		153,527		19,675		173,202
	<b>P</b>	<b>1,226,342</b>	<b>P</b>	<b>92,098</b>	<b>P</b>	<b>1,318,440</b>

- As of December 31, 2021, 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:

Municipal License fee	P	38,315
Supervision fee		25,250
IC Annual Filing fee		15,150
Real Property Tax		5,580
Barangay Clearance		2,000
Zoning fee		100
BIR annual registration fee		500
	P	86,895