

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

Company's Telephone Numbers

816-3271

Mobile Number

N/A

No. of Stockholders

11

Annual Meeting (Month / Day)

Second Tuesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Chona M. Jacinto

Email Address

chona.m.jacinto@arians.ph

Telephone Number/s

816-3163

Mobile Number

0920-9612383

CONTACT PERSON'S ADDRESS

19A San Francisco Street Kapitolyo Pasig City 1603

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, 2020 and 2019

PRC-BOA Reg. No. 0132, valid until December 31, 2021
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

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, 2020 and 2019, 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, 2020 and 2019, 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:

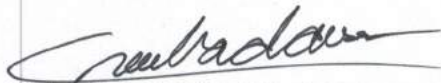
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 23 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. 6514908, February 2, 2021, 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, 2021

Pasig City

PRC-BOA Reg. No. 0132, valid until December 31, 2021
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, 2020, on which we have rendered the attached report dated March 29, 2021.

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

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

March 29, 2021
Pasig City

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019



ASSETS	<i>Notes</i>		2020		2019
Current Assets					
Cash and cash equivalents	8	P	3,809,061	P	9,721,593
Investments at fair value through profit or loss	9		3,988,944		-
Premiums and other receivables	10		42,469,112		22,761,902
Prepayments	11		4,059,162		2,796,592
Total Current Assets			54,326,279		35,280,087
Non-current Assets					
Property and equipment - net	12		4,665,944		3,549,696
Long-term investment	13		2,000,000		2,000,000
Deferred tax asset	20		773,816		2,127,168
Total Non-current Assets			7,439,760		7,676,864
TOTAL ASSETS		P	61,766,039	P	42,956,951
LIABILITIES AND EQUITY					
Current Liabilities					
Due to insurance companies	14	P	36,098,730	P	19,606,511
Accounts payable and accrued expenses	15		695,233		693,141
Lease liabilities - current	19		1,024,285		554,254
Total Current Liabilities			37,818,248		20,853,906
Non-current Liabilities					
Lease liabilities - net of current portion	19		1,807,623		-
Advances from stockholders	16		1,996,723		1,996,723
Total Non-current Liabilities			3,804,346		1,996,723
TOTAL LIABILITIES			41,622,594		22,850,629
Equity					
Share capital	17		20,000,000		20,000,000
Contingency surplus	17		5,351,000		5,351,000
Deficit			(5,207,555)		(5,244,678)
Total Equity			20,143,445		20,106,322
TOTAL LIABILITIES AND EQUITY		P	61,766,039	P	42,956,951

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<i>Notes</i>	2020	2019
REVENUES			
Commission	P	12,477,794	12,619,412
Other income	18	452,470	631,655
		12,930,264	13,251,067
EXPENSES			
Salaries and other employee benefits		6,963,279	6,951,869
Depreciation	12	2,192,204	2,127,697
Transportation and travel		820,270	765,967
Representation and entertainment		286,391	240,836
Communication, light and water		210,372	209,355
Association dues		177,600	177,600
Insurance		160,943	88,385
Commission		137,518	1,561,413
Interest	19	132,928	72,853
Taxes and licenses		88,833	168,078
Office supplies		78,832	76,003
Professional fee		76,678	72,980
Rent	19	70,729	67,804
Repairs and maintenance		36,364	54,570
Advertising and promotions		15,119	61,123
Others		51,612	38,669
		11,499,672	12,735,202
INCOME BEFORE INCOME TAX EXPENSE		1,430,592	515,865
INCOME TAX EXPENSE	20	1,393,469	248,723
NET INCOME		37,123	267,142
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME	P	37,123	267,142

See accompanying Notes to Financial Statements

**ARIANS INSURANCE BROKER, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<i>Notes</i>		2020		2019
SHARE CAPITAL	17	P	20,000,000	P	20,000,000
CONTINGENCY SURPLUS					
Balance at January 1			5,351,000		3,400,000
Additions			-		1,951,000
Balance at December 31			5,351,000		5,351,000
DEFICIT					
Balance at January 1, as previously reported			(5,244,678)		(5,308,319)
Transition adjustment			-		(203,501)
Balance at January 1, as adjusted			(5,244,678)		(5,511,820)
Net income for the period			37,123		267,142
Balance at December 31			(5,207,555)		(5,244,678)
BALANCES AT DECEMBER 31		P	20,143,445	P	20,106,322

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<i>Notes</i>	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense	P	1,430,592	P 515,865
Adjustments for:			
Depreciation	12	2,192,204	2,127,697
Interest expense		132,928	72,853
Interest income		(200,586)	(413,791)
Operating Income Before Working Capital Changes		3,555,138	2,302,624
(Increase) Decrease in Operating Assets:			
Premiums and other receivables		(19,715,604)	(3,260,283)
Prepayments		(1,262,570)	(28,821)
Increase (Decrease) in Operating Liabilities:			
Due to insurance companies		16,492,219	2,567,430
Accounts payable and accrued expenses		2,092	(8,330)
Cash generated from operations		(928,725)	1,572,620
Income taxes paid, including final taxes		(40,118)	(1,796,248)
Net Cash Used in Operating Activities		(968,843)	(223,628)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	12	(7,950)	(25,295)
Interest received		208,981	412,441
Placement of time deposit		(3,988,944)	-
Net Cash Provided by (Used in) Investing Activities		(3,787,913)	387,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(1,022,848)	(1,029,804)
Payment of interest		(132,928)	(72,853)
Payment of advances from stockholders		-	(1,951,000)
Proceeds from contingency surplus		-	1,951,000
Net Cash Used in Financing Activities		(1,155,776)	(1,102,657)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,912,532)	(939,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,721,593	10,660,732
CASH AND CASH EQUIVALENTS AT END OF YEAR	P	3,809,061	P 9,721,593

See accompanying Notes to Financial Statements

ARIANS INSURANCE BROKER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2021.

2. Statement of Compliance and Basis of Preparation and Presentation

Statement of Compliance

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

Basis of Financial Statements Preparation and Presentation

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

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

3. Summary of Significant Accounting Policies

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

Current Versus Non-current Classification

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

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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.

Input 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.

Due to Insurance Companies

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

Accounts Payable and Accrued Expenses

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

Share Capital

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

Retained Earnings (Deficit)

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

Revenue Recognition

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

Commission Income

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

Interest Income

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

Other Income

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

Expense Recognition

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

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

Short-term Employee Benefits

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

Other Employee Benefits

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

Leases

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

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

purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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.

4. Changes in Accounting Standards

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2020. Unless otherwise stated, the new standards and amendments did not have any material impact to the Company.

Amendments to PFRS 3, Business Combinations – Definition of a Business

The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to PFRS 7, Financial Instruments: Disclosures, PFRS 9, Financial Instruments, and PAS 39, Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform

The amendments to PFRS 9 and PAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Company does not have any interest rate hedge relationships.

Amendments to PFRS 16, Leases – Covid-19-Related Rent Concessions

The amendments provide 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, 2021; 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, issued on May 28, 2020, is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue. The Company adopted the amendment on its effective date.

The Company will continue to monitor future rent concessions that will fall within the scope of this amendment and assess its impact on the Company's financial position and operations, when applicable.

Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

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

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2020

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, the Company does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2021

Amendments to PFRS 4, PFRS 7, PFRS 9, 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; and
- 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

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.

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

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

The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Company first applies the amendment.

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

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

Company has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-Time Adopter The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
- Amendments to PFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
- Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective beginning on or after January 1, 2023

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 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; and
- 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.

PFRS 17, Insurance Contracts

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

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

The core of PFRS 17 is the general model, supplemented by:

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

Interpretation with Deferred Effective Date

Amendments to PFRS 10, 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

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

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

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 beginning January 1, 2019 - Company as a Lessee

The Company has entered into commercial property leases for its office. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company elected to use the exemption requirement of the standard. ROU assets amounted to P2,750,418 and P460,185 as at December 31, 2020 and 2019, respectively. Lease liabilities amounted to P2,831,908 and P554,254 as at December 31, 2020 and 2019, respectively. (see Notes 12 and 19)

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 2020 and 2019. 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 2020 and 2019. The carrying values of premiums and other receivables amounted to P42,469,112 and P22,761,902 as at December 31, 2020 and 2019, 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 2020 and 2019. The carrying value of the prepayments amounted to P4,059,162 and P2,796,592 as at December 31, 2020 and 2019, 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 2020 and 2019 that may indicate that the carrying value of property and equipment may not be recoverable.

There was no provision for impairment loss on property and equipment recognized in 2020 and 2019. As at December 31, 2020 and 2019, the carrying value of property and equipment amounted to P4,665,944 and P3,549,696, 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, 2020 and 2019, the Company recognized deferred tax assets amounting to P773,816 and P2,127,168, respectively, as management believes that sufficient future taxable income will be available against which the deferred tax assets can be utilized. (see Note 20)

6. Fair Value Measurement

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

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

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

The following table presents the fair value of the Company's financial assets and liabilities as of December 31, 2020 and 2019.

2020	Carrying amount	Quoted price Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Financial Assets:				
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	-
Long-term investment	2,000,000	-	1,777,993	-
	P 9,788,005	P -	P 9,565,998	P -
Financial Liabilities:				
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

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

As of December 31, 2020 and 2019, 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:

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

2019	On demand	Not later than one month	Later than 1 month & not later than 3 months	Later than 3 months & not later than 1 year	Later than one year	Total
Due to insurance companies	P 19,606,511	P -	P -	P -	P -	P 19,606,511
Accounts payable and accrued expenses	693,141	-	-	-	-	693,141
Lease liabilities	-	91,136	183,752	279,366	-	554,254
Advances from stockholders	1,996,723	-	-	-	-	1,996,723
	P 22,296,376	P 91,136	P 183,752	P 279,366	P -	P 22,850,629

8. Cash and Cash Equivalents

The composition of this account as at December 31, 2020 and 2019 is as follows:

	2020	2019
Cash on hand	P 10,000	P 10,000
Cash in banks	1,798,694	2,211,593
Time deposits	2,000,367	7,500,000
	P 3,809,061	P 9,721,593

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% and 3.6% per annum as of December 31, 2020 and 2019, respectively.

Total interest earned from these investments for the years ended December 31, 2020 and 2019 amounted to P98,919 and P312,402, respectively.(see Note 18)

9. Investment at fair value through profit and loss

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

Cost	P	4,000,000
Changes in fair value		(11,056)
	P	<u>3,988,944</u>

10. Premiums and Other Receivables

This account as at December 31, 2020 and 2019 consist of:

		2020		2019
Premiums receivable	P	42,130,719	P	22,418,442
Commissions receivable		307,175		303,007
Accrued interest receivable		14,467		22,861
Others		16,751		17,592
	P	<u>42,469,112</u>	P	<u>22,761,902</u>

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, 2020 and 2019 is as follows:

		2020		2019
Creditable withholding taxes	P	4,042,825	P	2,692,993
Other prepayments		16,337		103,599
	P	<u>4,059,162</u>	P	<u>2,796,592</u>

As at December 31, 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:

2020	IT Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Right-of-use Asset (Note 18)	Total
Cost						
January 1	P 142,800	P 2,500,500	P 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
Accumulated depreciation						
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
Net carrying value	P 16,688	P 772,709	P 12,678	P 1,113,451	P 2,750,418	P 4,665,944

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

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, 2020 and 2019 amounted to P101,667 and P101,389, respectively

14. Due to Insurance Companies

Movements of this account for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance, January 1	P 19,606,511	P 17,039,081
Additions	72,244,358	75,901,575
Remittances	(55,752,139)	(73,334,145)
Balance, December 31	P 36,098,730	P 19,606,511

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.

15. Accounts Payable and Accrued Expenses

As at December 31, 2020 and 2019, this account consists of:

		2020		2019
Government payables	P	218,084	P	216,293
Accrued expenses		119,182		149,800
Other payables		357,967		327,048
	P	695,233	P	693,141

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.

16. 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, 2020 and 2019 and for the years then ended are as follows:

Date	Category		Amount of transactions	Outstanding balance	Terms and conditions
2020	Stockholders Cash advances	P	-	P 1,996,723	No fixed repayment date; Non-interest bearing; unsecured; Payable in cash
2019	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 P5,961,752 and P5,799,376 in 2020 and 2019, respectively.

17. Equity

Share Capital

The Company's Share Capital as at December 31, 2020 and 2019 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, 2020 and 2019 both 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 consist of share capital, contingency surplus and retained earnings. Contingency surplus pertains to capital infused by the Company's shareholders as a result of the deficit from the net operating losses in prior year called upon in order to meet the capitalization requirements of the Insurance Commission.

Under existing requirements of Insurance Commission Memorandum Circular No. 1-2006 which covers the capitalization requirements for insurance brokers, the net worth of an existing insurance broker should not be less than P20,000,000, computed as the total assets net of the total liabilities of an insurance broker. As at December 31, 2020 and 2019, the Company's net worth amounted to P20,143,445 and P20,106,322, respectively.

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

The Company has complied with the imposed capital requirement as of December 31, 2020.

18. Other Income

The Company's other income for the years ended December 31, 2020 and 2019 consists of:

		2020		2019
Interest income from:				
Cash and cash equivalents (Note 8)	P	98,919	P	312,402
Long-term investment (Note 13)		101,667		101,389
Others		262,940		217,864
Unrealized loss on FVTPL		(11,056)		-
	P	452,470	P	631,655

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

19. 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:

		2020		2019
Balance at January 1	P	554,254	P	1,584,057
Additions		3,300,502		-
Interest charge for the year		132,928		72,853
Payments made		(1,155,776)		(1,102,656)
Balance at December 31	P	2,831,908	P	554,254

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		2020		2019
Interest on lease liability	P	132,928	P	72,853
Depreciation expense		1,010,269		920,371
Rent expense relating to short-term leases		70,729		67,804
	P	1,213,926	P	1,061,028

20. Income Taxes

a. The Company's provision for income tax expense (benefit) for the years ended December 31, 2020 and 2019 are broken down as follows:

		2020		2019
Current	P	40,117	P	276,944
Deferred		1,353,352		(28,221)
	P	1,393,469	P	248,723

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

- b. The reconciliation between the provision for income tax at statutory rates and the provision for income tax as shown in the statement of comprehensive income in 2020 and 2019 is as follows:

		2020		2019	
Statutory income tax	P	429,178	P	154,759	
Add (deduct) adjustments for:					
Interest income subjected to final tax		(56,859)		(124,137)	
Final tax		40,117		82,758	
Non-deductible expense		981,033		135,343	
	P	1,393,469	P	248,723	

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

		2020		2019	
NOLCO	P	749,369	P	2,098,947	
Leases		24,447		28,221	
	P	773,816	P	2,127,168	

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

Inception		Original amount		Applied		Expired		Remaining balance		Expiry
2017	P	4,498,593	P	1,930,096	P	2,568,497	P	-		2020
2018		2,497,897		-		-		2,497,897		2021
	P	6,996,490	P	1,930,096	P	2,568,497	P	2,497,897		

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%)

In accordance with PAS 12- Income taxes, if a bill is passed into law after the reporting date but before the issuance of the audited financial statements, it is treated as a non-adjusting event, hence the Company still applied the 30% statutory tax rate in the calculation of income taxes.

The Company expects that no significant adjustments will result in the financial statements upon implementation of CREATE.

21. Other Matters

Non-cash investing and financing activities

Excluded in the statements of cash flows are the additions to right-of-use asset amounting to P3,300,502 and P1,380,556 in 2020 and 2019, respectively. Additions to lease liabilities amounting to P3,300,502 and P P1,584,057 in 2020 and 2019, respectively, were likewise excluded in the statements of cash flows.

22. 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.

23. Supplementary Information Required under Revenue Regulation 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulation 15-2010 which requires additional tax information to be disclosed in the notes to financial statements. The following information covering the calendar year ended December 31, 2020 is presented in compliance thereto.

- VAT output tax declared in the Company's VAT returns amounting to P1,019,841 relates to commission income collected amounting to P8,498,674.
- The Vat input tax claimed is broken down as follows:

Balance at the beginning of year	P	-
Current year's purchases/payments for:		
Goods		209,288
Services		-
Capital goods		-
Claims for tax credit and other adjustments		(209,288)
Balance at the end of year	P	-

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

		Paid	Accrued	Total
Tax on compensation and benefits	P	1,076,564	P 122,614	P 1,199,178
Withholding tax - expanded		68,272	6,805	75,077
	P	1,144,836	P 129,419	P 1,274,255

- As of December 31, 2020, 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	39,753
Supervision fee		25,250
IC Annual Filing fee		15,150
Real Property Tax		5,580
Barangay Clearance		2,000
Certification fee (Tax Clearance & IC)		600
BIR annual registration fee		500
	P	88,833