

***Guevent Insurance Broker Corp.***

*Financial Statements*  
*December 31, 2024 and 2023*

*and*

*Independent Auditors' Report*

## **Independent Auditors' Report**

The Board of Directors and Stockholders

**GUEVENT INSURANCE BROKER CORP.**

No. 52 Domingo M. Guevara corner Calbayog Extension Streets.,  
Barangay Mauway, Mandaluyong City

### *Opinion*

We have audited the financial statements of **Guevent Insurance Broker Corp.** (the Company) which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Guevent Insurance Broker Corp.** as at December 31, 2024, and its financial performance and its cash flows for the year ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### *Basis for Opinion*

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

### *Other Matter*

The financial statements of **Guevent Insurance Broker Corp.** as at and for the year ended December 31, 2023 were audited by other auditors whose report thereon dated March 21, 2024, expressed an unqualified opinion on those financial statements.

### *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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

*Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' 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.

**Diaz Murillo Dalupan and Company**



Alexis B. Abella  
Partner

March 21, 2025

**GUEVENT INSURANCE BROKER CORP.****Statement of Financial Position***(With comparative figures for 2023)*

|   | <b>December 31</b>  |              |
|---|---------------------|--------------|
|   | <b>2024</b>         | <b>2023</b>  |
| <b>ASSETS</b>   |                     |              |
| <b>Current assets</b>   |                     |              |
| Cash - note 4   | <b>₱31,708,841</b>  | ₱39,643,168  |
| Premiums and other receivables (net) - note 5                         | <b>188,643,769</b>  | 183,838,461  |
| Financial assets at fair value through profit or loss (FVPL) - note 6 | <b>4,681,409</b>    | 5,525,706    |
| Prepayments and other current assets - note 7                         | <b>32,794,362</b>   | 25,211,166   |
|   | <b>257,828,381</b>  | 254,218,501  |
| <b>Noncurrent assets</b>  |                     |              |
| Property and equipment (net) - note 8                                 | <b>1,726,332</b>    | 2,017,361    |
| Deferred tax assets - note 19   | <b>2,176,547</b>    | 1,722,340    |
|   | <b>3,902,879</b>    | 3,739,701    |
| <b>TOTAL ASSETS</b>   | <b>₱261,731,260</b> | ₱257,958,202 |
| <b>LIABILITIES AND EQUITY</b>   |                     |              |
| <b>Current liabilities</b>  |                     |              |
| Due to insurance companies - note 9                                   | <b>₱101,974,665</b> | ₱105,411,897 |
| Accrued expenses and other liabilities - note 10                      | <b>11,205,942</b>   | 11,477,609   |
|   | <b>113,180,607</b>  | 116,889,506  |
| <b>Noncurrent liabilities</b>   |                     |              |
| Retirement benefits obligation - note 16                              | <b>4,307,655</b>    | 3,574,104    |
|   | <b>117,488,262</b>  | 120,463,610  |
| <b>Equity</b>   |                     |              |
| Capital stock - note 11   | <b>50,000,000</b>   | 50,000,000   |
| Remeasurement gain (loss) on retirement benefits obligation - note 1  | <b>(611,474)</b>    | 206,747      |
| Retained earnings - note 11   |                     |              |
| Appropriated  | <b>44,124,343</b>   | 35,124,343   |
| Unappropriated  | <b>50,730,129</b>   | 52,163,502   |
|   | <b>144,242,998</b>  | 137,494,592  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                   | <b>₱261,731,260</b> | ₱257,958,202 |

*(The accompanying notes are an integral part of these financial statements)*

**GUEVENT INSURANCE BROKER CORP.****Statement of Comprehensive Income***(With comparative figures for 2023)*

|   | <b>Years Ended December 31</b> |              |
|---|--------------------------------|--------------|
|   | <b>2024</b>                    | <b>2023</b>  |
| <b>COMMISSION REVENUES</b> - note 12                                  | <b>₱71,301,233</b>             | ₱70,927,445  |
| <b>DIRECT COSTS</b> - note 13   | <b>45,105,980</b>              | 43,271,068   |
| <b>GROSS PROFIT</b>   | <b>26,195,253</b>              | 27,656,377   |
| <b>OTHER OPERATING INCOME</b> - note 14                               | <b>27,677,075</b>              | 26,152,141   |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b> - note 15                  | <b>(35,471,050)</b>            | (31,665,018) |
| <b>INCOME FROM OPERATIONS</b>   | <b>18,401,278</b>              | 22,143,500   |
| <b>OTHER INCOME (CHARGES)</b>   |                                |              |
| Interest income - notes 4, 5 and 14                                   | <b>2,196,742</b>               | 1,535,827    |
| Dividend income - note 6  | <b>39,339</b>                  | 39,339       |
| Fair value gain (loss) on financial assets at FVPL - note 6           | <b>(844,297)</b>               | 227,754      |
| Miscellaneous income  | <b>-</b>                       | 15,000       |
|   | <b>1,391,784</b>               | 1,817,920    |
| <b>INCOME BEFORE INCOME TAX</b>                                       | <b>19,793,062</b>              | 23,961,420   |
| <b>INCOME TAX EXPENSE</b> - note 19                                   | <b>4,804,362</b>               | 6,052,903    |
| <b>NET INCOME</b>   | <b>14,988,700</b>              | 17,908,517   |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     |                                |              |
| <i>Not to be reclassified to profit or loss in subsequent periods</i> |                                |              |
| Remeasurement loss on retirement benefits (net of tax) - note 16      | <b>(818,221)</b>               | (4,364,692)  |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                     | <b>₱14,170,479</b>             | ₱13,543,825  |

*(The accompanying notes are an integral part of these financial statements)*

**GUEVENT INSURANCE BROKER CORP.****Statement of Changes in Equity****For the Year Ended December 31, 2024***(With comparative figures for 2023)*

|                                    | <b>Capital stock</b><br><b>- note 11</b> | <b>Remeasurement<br/>gain (loss) on<br/>retirement<br/>benefits obligation</b><br><b>- note 16</b> | <b>Appropriated<br/>retained earnings</b><br><b>- note 11</b> | <b>Unappropriated<br/>retained earnings</b><br><b>- note 11</b> | <b>Total</b>        |
|------------------------------------|--|--|---|---|---------------------|
| Balance, January 1, 2023           | ₱50,000,000                              | ₱4,571,439   | ₱35,124,343   | ₱48,217,689   | ₱137,913,471        |
| Total comprehensive income:        |  |  |   |   |                     |
| Net income for the year            | -  | -  | -   | 17,908,517  | 17,908,517          |
| Other comprehensive income         | -  | (4,364,692)  | -   | -   | (4,364,692)         |
|                                    | -  | (4,364,692)  | -   | 17,908,517  | 13,543,825          |
| Transaction with owners:           |  |  |   |   |                     |
| Cash dividend declared             | -  | -  | -   | (13,962,704)  | (13,962,704)        |
| <b>Balance, December 31, 2023</b>  | <b>50,000,000</b>                        | <b>206,747</b>   | <b>35,124,343</b>   | <b>52,163,502</b>   | <b>137,494,592</b>  |
| Total comprehensive income:        |  |  |   |   |                     |
| Net income for the year            | -  | -  | -   | 14,988,700  | 14,988,700          |
| Other comprehensive income         | -  | (818,221)  | -   | -   | (818,221)           |
|                                    | -  | (818,221)  | -   | 14,988,700  | 14,170,479          |
| Transaction with owners:           |  |  |   |   |                     |
| Cash dividend declared             | -  | -  | -   | (7,422,073)   | (7,422,073)         |
| Appropriation of retained earnings | -  | -  | 9,000,000   | (9,000,000)   | (9,000,000)         |
| <b>Balance, December 31, 2024</b>  | <b>₱50,000,000</b>                       | <b>(₱611,474)</b>  | <b>₱44,124,343</b>  | <b>₱50,730,129</b>  | <b>₱144,242,998</b> |

*(The accompanying notes are an integral part of these financial statements.)*

**GUEVENT INSURANCE BROKER CORP.****Statement of Cash Flows***(With comparative figures for 2023)*

|   | <b>Years Ended December 31</b> |              |
|---|--------------------------------|--------------|
|   | <b>2024</b>                    | <b>2023</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                                |              |
| Income before income tax                                    | <b>₱19,793,062</b>             | ₱23,961,420  |
| Adjustments for:  |                                |              |
| Depreciation - note 8                                       | <b>595,577</b>                 | 581,080      |
| Provision for (recovery of) ECL on receivables - note 5     | <b>48,533</b>                  | (187,059)    |
| Retirement benefits expense - note 16                       | <b>1,666,009</b>               | 544,209      |
| Fair value loss (gain) on financial assets at FVPL - note 6 | <b>844,297</b>                 | (227,754)    |
| Interest income - notes 4, 5 and 14                         | <b>(2,196,742)</b>             | (1,535,827)  |
| Dividend income - note 6                                    | <b>(39,339)</b>                | (39,339)     |
| Operating income before changes in working capital          | <b>20,711,397</b>              | 23,096,730   |
| Decrease (increase) in:                                     |                                |              |
| Premiums and other receivables                              | <b>(4,279,973)</b>             | 63,256,201   |
| Prepayments and other current assets                        | <b>(7,583,196)</b>             | 131,798      |
| Decrease in   |                                |              |
| Due to insurance companies                                  | <b>(3,437,232)</b>             | (49,329,923) |
| Accrued expenses and other liabilities                      | <b>(271,667)</b>               | (907,468)    |
| Cash provided by operations                                 | <b>5,139,329</b>               | 36,247,338   |
| Interest received on cash in banks - note 4                 | <b>625,701</b>                 | 10,479       |
| Contribution to retirement plan - note 16                   | <b>(2,023,419)</b>             | -            |
| Income tax paid   | <b>(4,985,829)</b>             | (6,085,252)  |
| Net cash provided by (used in) operating activities         | <b>(1,244,218)</b>             | 30,172,565   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                                |              |
| Additions to property, plant and equipment - note 8         | <b>(304,548)</b>               | (1,021,979)  |
| Interest received on notes receivable - note 5              | <b>997,173</b>                 | 1,525,348    |
| Dividend received - note 6                                  | <b>39,339</b>                  | 39,339       |
| Net cash provided by investing activities                   | <b>731,964</b>                 | 542,708      |
| <b>CASH FLOW FROM A FINANCING ACTIVITY</b>                  |                                |              |
| Payment of cash dividend - note 11                          | <b>(7,422,073)</b>             | (13,962,704) |
| <b>NET INCREASE (DECREASE) IN CASH</b>                      | <b>(7,934,327)</b>             | 16,752,569   |
| <b>CASH BALANCE AT BEGINNING OF YEAR</b>                    | <b>39,643,168</b>              | 22,890,599   |
| <b>CASH BALANCE AT END OF YEAR</b>                          | <b>₱31,708,841</b>             | ₱39,643,168  |

*(The accompanying notes are an integral part of these financial statements.)*

# **GUEVENT INSURANCE BROKER CORP.**

## **Notes to Financial Statements**

As at and for the Year Ended December 31, 2024

*(With comparative figures for 2023)*

### **1. CORPORATE INFORMATION**

Guevent Insurance Broker Corp. (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1990. The Company’s primary purpose is to carry on the business of an insurance broker in all its branches; to act as a broker or manager for any insurance company, in connection with its or his insurance or underwriting business (wherever the same maybe carried on) or any branch of the same; and to enter into any agreement for such purpose with any insurance company.

The Company is a holder of a secondary license from Insurance Commission (IC), authorizing the Company to act as Insurance Broker with License No. IB-20-2022-R and as HMO Broker with License No. HMOB-08-2023-0 issued by the IC and valid for the period January 1, 2022 to December 31, 2024. The license was renewed on February 3, 2025, which is effective from January 1, 2025 to December 31, 2027.

The Company's registered office address is located at No. 52 Domingo M. Guevara corner Calbayog Extension Streets., Barangay Mauway, Mandaluyong City.

The accompanying financial statements as at and for the year ended December 31, 2024 including its comparatives as at and for the year ended December 31, 2023 were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2025.

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

#### Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The financial statements have been presented in Philippine Peso (₱), which is the functional currency of the Company. All values are rounded to the nearest peso, except when otherwise indicated.

#### Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

*Revised standard chart of accounts (SCA)*

IC issued Circular No. 2021-69 on November 25, 2021 implementing the revised SCA for all insurance brokers, reinsurance brokers and both insurance and reinsurance brokers and superseding CL No. 2018-17. The revised SCA was issued and implemented to: a) provide guidance on the accounts to be used in recording transactions, b) to establish a uniform and comprehensive presentation of accounts in the audited financial statements, c) to aid in the efficient conduct of on-site examination/off-site verification aligned with the latest rules and procedures issued by IC and, d) to update the definition of accounts based on the new applicable accounting standards. The amendments in the SCA have no significant impact on the Company. The Company is in compliance with the SCA.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS Accounting Standards that are mandatorily effective for annual periods beginning on or after January 1, 2024.

*PAS 1 (Amendments) Classification of Liabilities as Current or Noncurrent.* The narrow-scope amendments to PAS 1, *Presentation of Financial Statements* clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

The amendments do not have a material impact on the financial statements of the Company.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2024

Standards issued but not yet effective up to the date of the Company’s financial statements are listed below. These amendments to standards issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

*PAS 21 (Amendments) The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability.* The amendment specifies that a currency is exchangeable when an entity can exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose while a currency is not exchangeable into other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions. The amendment requires the disclosure of additional information when a currency is not exchangeable. The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

*PFRS 18, Presentation and Disclosure in Financial Statements.* This standard supersedes *PAS 1, Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The standard requires an entity to clearly identify the financial statements, which must be distinguished from other information in the same published document, as well as each primary financial statements, and the notes to the financial statements. In addition, the following information must be displayed prominently and repeated as necessary:

- the name of the reporting entity and any change in the name
- whether the financial statements are a group of entities or an individual entity
- information about the reporting period
- the presentation currency (as defined by *PAS 21, The Effects of Changes in Foreign Exchange Rates*)
- the level of rounding used (e.g., thousands, millions).

Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards, but earlier application is permitted.

PFRS 18 supersedes PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements with movements on certain paragraphs into PAS 8 and PFRS 7. Furthermore, there were minor amendments to PAS 7 and PAS 33 earnings per share. The new standard introduces new requirements to:

- present specified categories and defined subtotals in the statements of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

The amendment is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. The Management anticipates that the application of these amendments may have an impact on the Company's financial statements in future periods.

*Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and PFRS 7).* The amendments address matters identified during the post-implementation review of the classification and measurement requirements of *PFRS 9, Financial Instruments*.

The amendments include:

- a) derecognition of financial liability settled through electronic transfer - The amendments to the application guidance of PFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

- b) classification of financial assets - The amendments provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions.
- c) disclosures - The requirements in PFRS 7 are amended for disclosures that an entity provides in respect of investments in equity instruments designated at fair value through other comprehensive income. The amendments also require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs.

The amendments also include amendments to *PFRS 19, Subsidiaries without Public Accountability: Disclosures*, which limit the disclosure requirements for qualifying subsidiaries.

The amendments are effective for reporting periods beginning on or after January 1, 2026, with earlier application permitted.

The Company continues to assess the impact of the above new, amended, and improved accounting standards and interpretations that are effective subsequent to January 1, 2024, on its financial statements in the period of initial application.

Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

*Insurance Contracts (PFRS 17)*. The new standard will eventually replace PFRS 4, *Insurance Contracts*, that will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope. The new standard is effective for annual periods beginning on or after January 1, 2027.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

The standard does not have a material impact on the financial statements of the Company.

## Financial Instruments

### *a. Initial recognition, measurement and classification of financial instruments*

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

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price. The Company classifies its financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at FVPL.

The classification of debt instruments at amortized cost or at FVOCI depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing the financial assets. The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produces more relevant information.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The Company's financial assets at amortized cost comprise cash, premiums and other receivables, and refundable deposits under prepayments and other current assets (see Notes 4, 5 and 7).

*Premiums and other receivables (net)*

Premiums represent amounts receivable from policyholders/clients for payment of insurance premium to the insurance company. Premiums and other receivables (net) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for ECL.

*Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, 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 FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information. Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the profit or loss.

As at December 31, 2024 and 2023, the financial assets at FVPL include investments in publicly traded equity securities that are not considered equity instruments designated at FVOCI and do not meet the amortized cost criteria (see Note 6).

*b. Determination of Fair Value*

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company's financial assets at FVPL, which consist of investment in publicly traded shares, are measured at fair value. Fair value disclosures are presented in Note 21.

#### *"Day 1" Difference*

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

#### *Financial Liabilities at Amortized Cost*

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial liabilities at amortized cost include due to insurance companies and accrued expenses and other liabilities (except due to government agencies) (see Notes 9 and 10).

*c. Impairment of Financial Assets*

The Company recognizes allowance for estimated credit losses (ECL) for all debt instruments that are measured at amortized cost and premiums and other receivables. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are 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 the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

*Significant Increase in Credit Risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of Default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired Financial Assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off Policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written-off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

#### *d. Derecognition*

##### *Financial Asset*

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

- the right to receive cash flows from the asset has 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 under a "pass-through" arrangement; or
- the Company has transferred its right 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 control of the asset.

When the Company has transferred its right to receive cash flows from an asset and 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 the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### *Financial Liability*

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

#### *e. Offsetting of Financial Instruments*

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Prepayments and other current assets

Prepayments and other current assets mainly consist of creditable withholding taxes, refundable deposits, and other prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred.

Creditable withholding tax is deducted from income tax payable on the same year the revenue is recognized.

#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the asset has been put into operations, such as repairs and maintenance, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

|                        | Number of years                                |
|------------------------|--|
| Leasehold improvements | 5 years or lease term,<br>whichever is shorter |
| Motor vehicle          | 4 years  |
| Office equipment       | 3 years  |
| Furniture and fixtures | 3 years  |

The estimated useful lives and depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date to ensure that such years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

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

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 from derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the item is derecognized.

#### Impairment of non-financial assets

The Company assesses the property and equipment at each reporting date whether there is an indication that the asset may be impaired. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged to the assets in the cash-generating unit.

All fixed assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

## Equity

### *Capital stock*

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds, net of tax.

### *Other comprehensive income (loss)*

Other comprehensive income (loss) comprise items of income and expenses (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS Accounting Standards. Other comprehensive income (loss) includes cumulative remeasurement gain (loss) on retirement benefits obligation.

### *Retained earnings*

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

### *Dividend distribution*

Dividend distribution to the Company's stockholders is recognized as a liability and deducted from equity in the year in which the dividends are declared as approved by the Company's BOD. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

## Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The following specific recognition criteria must also be met before revenue is recognized:

### *Commission revenues*

Commission revenues or placement fees earned by the Company are earned at point in time when the terms of the insurance policy have been agreed contractually by the insurer and the policyholder and the insurer has a present right to payment from the policyholder (contract date). Contract date is the date the insurance policy incepts or is the effective date of the insurance coverage.

### *Interest income*

Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

*Other income*

Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

Cost and expense recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the costs 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 can only be broadly or indirectly determined; or immediately when 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.

Related party relationship and transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Employee benefits*Short-term employee benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. Short-term benefits given by the Company to its employees include salaries and wages, fringe benefits, 13th month pay, Social Security System (SSS), Philhealth (PHIC) and Home Development Mutual Fund (HDMF) contribution.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement benefits*

Pension benefits are provided to employees through a defined benefit plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset. Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. 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.

Remeasurement comprising actuarial gains and losses and return on plan asset (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets or if no maturity, the expected period until the settlement of the related obligation. The Company's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

### Leases

#### *The Company as lessee*

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

### Income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated reliably. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

#### Events after the reporting date

Events after the reporting date that provide additional information about the Company's financial position at the end of the reporting year (adjusting events) are reflected in the financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

### **3. MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES**

The preparation of the financial statements in compliance with PFRS Accounting Standards requires Management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon Management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Material Accounting Judgments

##### *Determining the classification of financial instruments*

Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the key factors considered by the Company in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Company also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

##### *Revenue from contracts with customers*

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

##### *a) Identifying contracts with customers*

Brokerage contracts entered into by the Company consist of a different types of contractual arrangements depending on the coverage and terms of business arrangements among others.

*b) Identifying performance obligation in the contract*

The brokerage services provided by the Company resulting in the placement of the policy are considered by the Company as a single performance obligation, in consideration of a placement fee or commission.

*c) Determining the transaction price*

Commissions range from 15% to 30% of insurance premium depending on the type of coverage or risk, and on the location of the insured property or person. Example of the type of risk are own damage, theft, acts of God and personal accident. These percentages are provided in a letter from the Insurer to the Company.

*d) Allocation of the transaction price*

Due to the different types of contractual arrangements with clients such as placement of a single policy or multiple policies, the Company allocates the consideration of such arrangements to the individual performance obligations based on the relative selling prices which represent their relative fair value.

*e) Recognizing revenue*

Commission income or placement fees earned by the Company are earned at a point in time when the terms of the insurance policy have been agreed contractually by the insurer and the policy holder and the insurer has the present right to payment from the policyholder (contract date). The contract date is the date the insurance policy incepts or is the effective date of the insurance policy.

Material estimates and assumptions

*Assessing ECL on premiums and other receivables (net)*

ECLs are provided for potentially uncollectible receivables. An evaluation of receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The Company maintains allowance for credit losses based on the result of the individual assessment considering the terms, payment history and past due status. The Company has set up a provision matrix based on its historical observed default rates which is adjusted for forward-looking factors specific to the debtors.

Management generally analyzes receivables and historical bad debt, concentrations, creditworthiness, current economic trends and changes in client payment terms when evaluating the adequacy of the ECL. To the extent that it is feasible, impairment and collectability is determined individually for each item.

The Insurer will assess the credit risk from policyholders with past-due accounts by considering the individual characteristics of each policyholder such as creditworthiness and payment history. After considering credit risk, the Insurer will inform the Company as to the total amount of ECL from each policyholder then the Company will determine the portion of the commission related to ECL that will be treated as allowance which is also based on the commission percentage of the Company.

Allowance for ECL as of December 31, 2024 and 2023 amounted to ₱117,108 and ₱68,575, respectively. The carrying amount of premiums and other receivable (net) amounted to ₱188,643,769 and ₱183,838,461 as at December 31, 2024 and 2023, respectively (see Note 5).

*Determining fair value of financial instruments*

The Company carries the financial asset at fair value, which requires the use of accounting estimates and judgment, in cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and equity.

*Determining retirement benefit obligation*

The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement benefits obligation amounted to ₱4,307,655 and ₱3,573,104, as at December 31, 2024 and 2023, respectively (see Note 16).

#### 4. CASH

This account consists of:

|               | 2024               | 2023               |
|---------------|--------------------|--------------------|
| Cash on hand  | ₱30,000            | ₱30,000            |
| Cash in banks | 31,678,841         | 39,613,168         |
|               | <b>₱31,708,841</b> | <b>₱39,643,168</b> |

Cash in banks represents savings and current deposits in reputable local banks and earn interest at prevailing bank deposit rates. Interest income earned, net of final taxes, from cash deposits amounted to ₱625,701 and ₱10,479 in 2024 and 2023, respectively (see Note 14).

## 5. PREMIUMS AND OTHER RECEIVABLES (NET)

This account consists of:

|  | 2024                | 2023         |
|--|---------------------|--------------|
| Receivables from insurance companies' clients: |                     |              |
| Related parties – note 18                      | <b>₱160,659,448</b> | ₱157,734,692 |
| Outside parties                                | <b>6,040,208</b>    | 4,623,705    |
| Notes receivable – note 18                     | <b>20,790,455</b>   | 20,811,943   |
| Advances to officers and employees             | <b>696,898</b>      | 716,574      |
| Accrued interest on notes receivable – note 18 | <b>573,868</b>      | 20,122       |
|  | <b>188,760,877</b>  | 183,907,036  |
| Less: Allowance for ECL                        | <b>117,108</b>      | 68,575       |
|  | <b>₱188,643,769</b> | ₱183,838,461 |

Receivables from insurance companies' clients represent amounts receivable from policyholders/clients for payment of insurance premiums to the insurance company with terms of 60 to 180 days.

Notes receivable from a related entity bear interest of 7% per annum with maturities of less than one year. Interest income earned from the notes receivable amounted to ₱1,448,780 and ₱1,498,359 in 2024 and 2023, respectively (see Note 14).

Advances to officers and employees are noninterest-bearing advances and are normally settled through salary deduction.

The movement in the allowance for ECL on receivables from insurance companies' clients is as follows:

|   | 2024            | 2023      |
|---|-----------------|-----------|
| Balance at beginning of the year          | <b>₱68,575</b>  | ₱255,634  |
| Provision for (recovery of) ECL – note 15 | <b>48,533</b>   | (187,059) |
| Balance at end of the year                | <b>₱117,108</b> | ₱68,575   |

The management assessed that the receivables from insurance companies' clients over 90 days are fully collectible. Hence, Management believes that the allowance for ECL is adequate to cover any losses arising from the non-collection of receivables.

### Reclassification

Notes receivable amounting to ₱20,811,943 as at December 31, 2023 previously presented as “Investment securities at amortized cost” under Noncurrent assets was reclassified to “Premiums and other receivables” for proper classification and presentation.

**6. FINANCIAL ASSETS AT FVPL**

This account pertains to investments in publicly traded equity securities of Philippine companies in the Philippine Stock Exchange (PSE) as at December 31. Details are as follows:

|  | 2024              | 2023       |
|--|-------------------|------------|
| Cost                                   | <b>₱2,057,993</b> | ₱2,057,993 |
| Fair value gain:                       |                   |            |
| Balance at beginning of year           | <b>3,467,713</b>  | 3,239,959  |
| Fair value gain (loss) during the year | <b>(844,297)</b>  | 227,754    |
| Balance at end of year                 | <b>2,623,416</b>  | 3,467,713  |
|  | <b>₱4,681,409</b> | ₱5,525,706 |

Dividend income from financial assets at FVPL amounted to ₱39,339 for each year in 2024 and 2023 (see Note 14).

**7. PREPAYMENTS AND OTHER CURRENT ASSETS**

This account consists of:

|                               | 2024               | 2023        |
|-------------------------------|--------------------|-------------|
| Creditable withholding tax    | <b>₱31,832,198</b> | ₱24,309,727 |
| Refundable deposits – note 17 | <b>611,573</b>     | 698,320     |
| Prepaid rent – note 17        | <b>203,858</b>     | 67,017      |
| Office supplies               | <b>146,733</b>     | 136,102     |
|                               | <b>₱32,794,362</b> | ₱25,211,166 |

Creditable withholding tax are taxes withheld by insurance companies from the commissions earned by the Company to be used against income tax liabilities.

Refundable deposits pertain to deposits on leased office spaces.

**Reclassification**

Accrued interest receivable amounting to ₱20,122 as at December 31, 2023 previously presented under “Prepayments and other current assets” was reclassified to “Premiums and other receivables” for proper presentation (see Note 5).

**8. PROPERTY AND EQUIPMENT (NET)**

The reconciliation of this account is as follows:

| <b>2024</b>                      | Office equipment  | Furniture and fixtures | Leasehold improvements | Motor vehicle    | Total             |
|----------------------------------|-------------------|------------------------|------------------------|------------------|-------------------|
| <b>Cost:</b>                     |                   |                        |                        |                  |                   |
| Balance at January 1             | ₱9,166,370        | ₱1,878,445             | ₱206,387               | ₱1,800,000       | ₱13,051,202       |
| Additions                        | 304,548           | -                      | -                      | -                | 304,548           |
| <b>Balance at December 31</b>    | <b>9,470,918</b>  | <b>1,878,445</b>       | <b>206,387</b>         | <b>1,800,000</b> | <b>13,355,750</b> |
| <b>Accumulated depreciation:</b> |                   |                        |                        |                  |                   |
| Balance at January 1             | 7,149,009         | 1,878,445              | 206,387                | 1,800,000        | 11,033,841        |
| Depreciation – note 15           | 595,577           | -                      | -                      | -                | 595,577           |
| <b>Balance at December 31</b>    | <b>7,744,586</b>  | <b>1,878,445</b>       | <b>206,387</b>         | <b>1,800,000</b> | <b>11,629,418</b> |
| <b>Carrying value</b>            | <b>₱1,726,332</b> | <b>₱-</b>              | <b>₱-</b>              | <b>₱-</b>        | <b>₱1,726,332</b> |
| <hr/>                            |                   |                        |                        |                  |                   |
| 2023                             | Office equipment  | Furniture and fixtures | Leasehold improvements | Motor vehicle    | Total             |
| <b>Cost:</b>                     |                   |                        |                        |                  |                   |
| Balance at January 1             | ₱8,144,391        | ₱1,878,445             | ₱206,387               | ₱1,800,000       | ₱12,029,223       |
| Additions                        | 1,021,979         | -                      | -                      | -                | 1,021,979         |
| Balance at December 31           | 9,166,370         | 1,878,445              | 206,387                | 1,800,000        | 13,051,202        |
| <b>Accumulated depreciation:</b> |                   |                        |                        |                  |                   |
| Balance at January 1             | 6,609,595         | 1,878,445              | 206,387                | 1,758,334        | 10,452,761        |
| Depreciation – note 15           | 539,414           | -                      | -                      | 41,666           | 581,080           |
| Balance at December 31           | 7,149,009         | 1,878,445              | 206,387                | 1,800,000        | 11,033,841        |
| <b>Carrying value</b>            | <b>₱2,017,361</b> | <b>₱-</b>              | <b>₱-</b>              | <b>₱-</b>        | <b>₱2,017,361</b> |

The Company has determined that there is no indication that an impairment has occurred on its property and equipment.

**9. DUE TO INSURANCE COMPANIES**

Due to insurance companies pertains to insurance premiums collectible by the Company from the policyholders that will be remitted to insurers, and recorded at net of the Company's commissions.

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

This account consists of:

|                            | <b>2024</b>        | 2023               |
|----------------------------|--------------------|--------------------|
| Accrued expenses           | <b>₱4,125,478</b>  | ₱4,881,672         |
| Output VAT                 | <b>6,046,627</b>   | 2,331,253          |
| Due to government agencies | <b>835,570</b>     | 982,869            |
| Accounts payable - others  | <b>198,267</b>     | 652,980            |
| Deferred output VAT        | -                  | 2,628,835          |
|                            | <b>₱11,205,942</b> | <b>₱11,477,609</b> |

Accrued expenses pertain to accrual of professional fees, utilities and various payables incurred but remained unpaid as of the financial reporting period.

Due to government agencies includes withholding taxes payable and premiums contributions to SSS, PHIC and HDMF.

Accounts payable - others are short-term loans of employees from third parties under the name of the Company and other charges to employees like personal insurance. The Company is directly charging these payables to employees against their salaries. The loans accommodated to employees are amortized based on its term, the unamortized portion is recognized as accounts payable - others. Also included in this account are the incentives to employees of the external division of the Company.

#### Reclassification

Accounts payable - others amounting to ₱653,980 as at December 31, 2023 previously presented under “Due to insurance companies” was reclassified to “Accrued expenses and other liabilities” for proper presentation.

## 11. EQUITY

### Capital stock

Details of this account are as follows:

|   | 2024                | 2023         |
|---|---------------------|--------------|
| Authorized – ₱100 par value per share, 1,000,000 shares | <b>₱100,000,000</b> | ₱100,000,000 |
| Issued and outstanding – 500,000 shares                 | <b>₱50,000,000</b>  | ₱50,000,000  |

Ordinary shares carry one vote per share and carry right to dividends.

### Cash dividends

On November 24, 2023, the BOD approved the declaration of cash dividend amounting to ₱13,962,704, to stockholders of record as of December 31, 2022.

On January 25, 2024, the BOD approved the declaration of cash dividend amounting to ₱4,759,389, to stockholders of record as of December 31, 2023.

On November 21, 2024, the BOD approved the declaration of cash dividend amounting to ₱2,662,684, to stockholders of record as of December 31, 2023.

### Appropriation of retained earnings

On December 22, 2020, the BOD approved the appropriation of ₱18,000,000 of retained earnings for emergency or contingency fund to meet the needs of the Company during the pandemic.

On December 21, 2021, the BOD approved the appropriation of retained earnings amounting to ₱25,000,000 and ₱5,000,000 for declaration of stock dividend and upgrade of hardware, respectively.

On December 20, 2022, the BOD approved the appropriation of retained earnings amounting to ₱12,000,000 for dividend declaration and revoked the appropriated retained earnings from prior years amounting to ₱24,875,657. The remaining appropriations of ₱35,124,343 are for stock dividend declaration, upgrade of hardware and contingency fund for 2025 to 2026.

On December 17, 2024, the BOD approved the appropriation of retained earnings for future dividend declaration amounting to ₱9,000,000.

Excess of retained earnings over capital stock

*Under the Revised Corporation Code of the Philippines*

Stock Corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid in capital stock except:

- When justified by definite corporate expansion projects or programs approved by the BOD;
- When a Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or
- When it can be clearly shown that such retention is necessary under special circumstances, such as when there is a need for reserve for probable contingencies.

As at December 31, 2024, the Company's unappropriated retained earnings amounting to ₱51,184,336, as adjusted per SEC Memorandum Circular 16-2023 Revised Guidelines on the Determination of Retained Earnings Available for Dividend Declaration, exceeds the paid-in capital by ₱1,184,336.

**12. COMMISSION REVENUES**

This account consists of:

|                           | 2024               | 2023        |
|---------------------------|--------------------|-------------|
| Commission revenues from: |                    |             |
| Related parties – note 18 | <b>₱68,341,926</b> | ₱69,241,694 |
| Outside parties           | <b>2,959,307</b>   | 1,685,751   |
|                           | <b>₱71,301,233</b> | ₱70,927,445 |

**13. DIRECT COSTS**

This account consists of:

|                           | 2024               | 2023        |
|---------------------------|--------------------|-------------|
| Incentives                | <b>₱41,913,754</b> | ₱40,665,774 |
| Travel and transportation | <b>2,736,377</b>   | 2,364,562   |
| Representation            | <b>455,849</b>     | 240,732     |
|                           | <b>₱45,105,980</b> | ₱43,271,068 |

#### 14. OTHER INCOME (CHARGES)

This account consists of:

|   | 2024               | 2023        |
|---|--------------------|-------------|
| Interest income:  |                    |             |
| Notes receivable – note 5                                   | <b>₱1,448,780</b>  | ₱1,498,358  |
| Cash in banks – note 4                                      | <b>625,701</b>     | 10,479      |
| Other interest income                                       | <b>122,261</b>     | 26,990      |
| Fair value gain (loss) on financial assets at FVPL – note 6 | <b>(844,297)</b>   | 227,754     |
| Dividend income – note 6                                    | <b>39,339</b>      | 39,339      |
| Other operating income                                      | <b>27,677,075</b>  | 26,152,141  |
| Miscellaneous income  | <b>-</b>           | 15,000      |
|   | <b>₱29,068,859</b> | ₱27,970,061 |

Other interest income pertains to interest on overdue accounts receivable.

Other operating income refers to incentives from insurance companies based on the performance of the Company.

#### 15. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

|  | 2024               | 2023        |
|--|--------------------|-------------|
| Salaries, wages and benefits             | <b>₱19,975,406</b> | ₱19,101,242 |
| Rent - note 17                           | <b>2,473,868</b>   | 2,346,999   |
| Professional fees                        | <b>1,900,061</b>   | 1,232,360   |
| Directors' fees                          | <b>1,824,374</b>   | 1,649,034   |
| Retirement benefits - note 16            | <b>1,666,009</b>   | 544,209     |
| SSS, PHIC, HDMF contributions            | <b>1,518,192</b>   | 1,380,380   |
| Taxes and licenses                       | <b>1,040,686</b>   | 881,929     |
| Communication                            | <b>846,312</b>     | 743,084     |
| Administrative                           | <b>715,593</b>     | 533,818     |
| Depreciation - note 8                    | <b>595,577</b>     | 581,080     |
| Dues and subscriptions                   | <b>530,132</b>     | 521,816     |
| Office supplies                          | <b>524,215</b>     | 375,133     |
| Insurance                                | <b>392,443</b>     | 472,744     |
| Power, light and water                   | <b>321,803</b>     | 327,632     |
| Marketing expense                        | <b>228,146</b>     | 481,349     |
| Advertising and promotion                | <b>211,278</b>     | 165,321     |
| Training and seminars                    | <b>140,871</b>     | 147,899     |
| Provision for (recovery of) ECL - note 5 | <b>48,533</b>      | (187,059)   |
| Repairs and maintenance                  | <b>30,894</b>      | 33,482      |
| Bank charge                              | <b>18,950</b>      | -           |
| Miscellaneous                            | <b>467,707</b>     | 332,566     |
|  | <b>₱35,471,050</b> | ₱31,665,018 |

Reclassification

Fair value gain on financial assets at FVPL amounting to ₱227,754 as at December 31, 2023 previously presented under “General and administrative expenses” was reclassified to “Other income (charges)” for proper presentation (see Note 14).

**16. RETIREMENT BENEFITS**

The Company has a non-contributory funded retirement plan covering all its regular employees. The plan provides a normal retirement benefit equal to 100% of one-month's pay per year of service for normal retirement date at age 60, or, at the option of the Company after completing 20 years of service regardless of age. Early retirement benefits are given to employees opting to retire at age 50, or, at the option of the Company after 10 years of service regardless of age.

Actuarial valuations are made periodically to update the retirement benefit liability and the amount of contributions. The latest actuarial valuation report was December 31, 2024.

The retirement benefits obligation recognized in the statements of financial position is as follows:

|                             | 2024                | 2023         |
|-----------------------------|---------------------|--------------|
| Present value of obligation | <b>₱16,004,780</b>  | ₱19,367,058  |
| Fair value of plan assets   | <b>(11,697,125)</b> | (15,792,954) |
|                             | <b>₱4,307,655</b>   | ₱3,574,104   |

The retirement benefits expense recognized in the statement of comprehensive income, which is included as part of general and administrative expenses, is as follows (see Note 15).

|                               | 2024              | 2023        |
|-------------------------------|-------------------|-------------|
| Current service cost          | <b>₱1,444,414</b> | ₱745,067    |
| Interest cost                 | <b>1,200,758</b>  | 889,573     |
| Interest income on plan asset | <b>(979,163)</b>  | (1,090,431) |
|                               | <b>₱1,666,009</b> | ₱544,209    |

The movements in the retirement benefits obligation recognized in the statement of financial position as at December 31 are as follow:

|   | 2024               | 2023         |
|---|--------------------|--------------|
| Balance at beginning of year              | <b>₱3,574,104</b>  | ₱(2,789,694) |
| Retirement benefits expense               | <b>1,666,009</b>   | 544,209      |
| Contributions paid                        | <b>(2,023,419)</b> | -            |
| Remeasurement loss on retirement benefits | <b>1,090,961</b>   | 5,819,589    |
| Balance at end of year                    | <b>₱4,307,655</b>  | ₱3,574,104   |

The movements in the present value of retirement benefits obligation recognized in the statement of financial position are as follow:

|  | 2024               | 2023               |
|--|--------------------|--------------------|
| Balance at beginning of year                         | ₱19,367,058        | ₱12,355,175        |
| Interest cost  | 1,200,758          | 745,067            |
| Current service cost                                 | 1,444,414          | 889,573            |
| Benefits paid  | (6,808,278)        | (248,681)          |
| Remeasurement loss on retirement benefits obligation | 800,828            | 5,625,924          |
| Balance at end of year                               | <b>₱16,004,780</b> | <b>₱19,367,058</b> |

The movement in the fair value of plan assets is presented below:

|   | 2024               | 2023               |
|---|--------------------|--------------------|
| Fair value of plan assets, beginning          | ₱15,792,954        | ₱15,144,869        |
| Interest income included in net interest cost | 979,163            | 1,090,431          |
| Contributions paid                            | 2,023,419          | -                  |
| Benefits paid from the fund                   | (6,808,278)        | (248,681)          |
| Remeasurement loss on plan assets             | (290,133)          | (193,665)          |
| Fair value of plan assets, end                | <b>₱11,697,125</b> | <b>₱15,792,954</b> |

The remeasurement loss, net of tax recognized in other comprehensive income is as follows:

|   | 2024            | 2023              |
|---|-----------------|-------------------|
| Actuarial gain on retirement benefits obligation: |                 |                   |
| Experience adjustment                             | (₱1,126,787)    | ₱-                |
| Change in financial assumptions                   | 1,927,615       | 5,625,924         |
| Actuarial loss on plan assets                     | 290,133         | 193,665           |
| Remeasurement loss                                | 1,090,961       | 5,819,589         |
| Deferred tax                                      | (272,740)       | (1,454,897)       |
|   | <b>₱818,221</b> | <b>₱4,364,692</b> |

The movements in cumulative remeasurement gain (loss) on retirement benefits as at December 31 are as follows:

|   | 2024              | 2023            |
|---|-------------------|-----------------|
| Balance at beginning of year                          | ₱206,747          | ₱4,571,439      |
| Remeasurement loss on retirement benefits, net of tax | (818,221)         | (4,364,692)     |
| Balance at end of year                                | <b>(₱611,474)</b> | <b>₱206,747</b> |

The plan assets consist of:

|             | 2024               | 2023               |
|-------------|--------------------|--------------------|
| Cash        | ₱3,730,128         | ₱4,090,375         |
| Investments | 7,977,111          | 11,659,938         |
| Others      | 42,728             | 42,641             |
| Payable     | (52,842)           | -                  |
|             | <b>₱11,697,125</b> | <b>₱15,792,954</b> |

The actual return (loss) on plan asset is as follows:

|                               | 2024            | 2023            |
|-------------------------------|-----------------|-----------------|
| Interest income on plan asset | ₱979,163        | ₱1,090,431      |
| Actuarial loss on plan asset  | (290,133)       | (193,665)       |
|                               | <b>₱689,030</b> | <b>₱896,766</b> |

The following actuarial assumptions were used to determine the retirement benefits obligation:

|                          | 2024         | 2023  |
|--------------------------|--------------|-------|
| Discount rate            | <b>6.10%</b> | 6.20% |
| Expected salary increase | <b>9.00%</b> | 8.00% |

The discount rate is based on the market yield on government bonds as of the valuation date and is considering the average years of remaining working lives of the employees as the estimated term of the benefit obligation. The salary increase rate represents the projected increases in employee salaries.

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

#### Risk Arising from Retirement Plan

The defined benefit plan is unfunded by ₱4,307,655 and ₱3,574,104 as at December 31, 2024 and 2023, respectively. While there is no minimum required funding, the amount without fund may expose the Company to cash flow risk for 16 years when a significant number of employees are expected to retire.

#### *Maturity Profile of Undiscounted Benefit Payments*

The maturity analysis of the Company's undiscounted benefit payments is as follows:

|                   | 1 to 5<br>Years | 6 to 10<br>Years | 11 to 15<br>Years | 16 years<br>and up |
|-------------------|-----------------|------------------|-------------------|--------------------|
| Normal Retirement | ₱6,348,980      | ₱3,217,028       | ₱6,980,234        | ₱147,906,368       |

The Company's plan assets are administered by a trustee bank, which is responsible for the general administration of retirement plan including the management of the fund. The overall investment policy and strategy of the retirement plan is based on the assessment as provided by its trustee in compliance with the Bangko Sentral ng Pilipinas requirements. The Company does not perform any asset-liability matching study.

The weighted average duration of the defined benefit obligation is 14 years.

#### Regulatory Framework in which the Retirement Obligation Operates

In accordance with the provisions of the Labor Code, the Company is required to pay eligible employees at least the minimum regulatory benefit upon retirement, subject to age and service requirements.

Plan Amendments, Curtailments or Settlements

There was no plan amendment, curtailment or settlement recognized in the year ended December 31, 2024 and 2023.

Discount Rate Sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variables held constant, of the Company's retirement benefits obligation. A +/-1% and +/-0.5% increase or decrease in salary increase and discount rate, respectively, is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase. There were no changes on the assumptions and methods in preparing the sensitivity analysis.

The impact on the Company's retirement benefits obligation as at December 31, 2024 which affects the Company's cash flow is as follows:

**December 31, 2024**

|                        | Increase<br>(decrease) | Present value of<br>obligation | Increase (decrease) on<br>retirement benefits<br>obligation |
|------------------------|------------------------|--------------------------------|---|
| <b>Discount rate</b>   | +1%                    | ₱2,431,071                     | (₱1,876,584)  |
|                        | -1%                    | 6,648,438                      | 2,340,783   |
| <b>Salary increase</b> | +1%                    | 6,443,800                      | 2,136,145   |
|                        | -1%                    | 2,549,488                      | (1,758,167)   |

**17. LEASES**

Company as lessee

The Company has lease contracts with Guevent Investments Development Corporation (a Company under Common Control) for the use of office units with lease terms of one-year renewable annually. The lease agreements are considered short-term and did not warrant the recognition of right-of-use assets. Rent expense are recognized in profit or loss on a straight-line basis.

Security deposits amounted to ₱611,573 and ₱698,320 as at December 31, 2024 and 2023, respectively (see Note 7).

Prepaid rent amounted to ₱203,858 and ₱67,017 as at December 31, 2024 and 2023, respectively (see Note 7).

Rent expense charged to operations amounted to ₱2,473,868 and ₱2,346,999 in 2024 and 2023, respectively (see Notes 15 and 18).

**18. RELATED PARTY TRANSACTIONS AND BALANCES**

In the ordinary course of business, the Company transacts with its affiliates, and with certain directors, officers, stockholders, and other related interests. These transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks.

The significant transactions and outstanding balances of the Company with the related parties are as follows:

| Related party                  | Nature of Transaction          | Year        | Amount of transactions | Outstanding Balance |           | Terms and Condition   |
|--------------------------------|--------------------------------|-------------|------------------------|---------------------|-----------|---|
|                                |                                |             |                        | Receivable – Note 5 | Payable   |   |
| Companies under common control | Premiums and commission income | <b>2024</b> | <b>₱68,341,926</b>     | <b>₱160,659,448</b> | <b>₱-</b> | Unsecured and non-interest bearing, payable in cash, not impaired |
|                                |                                | 2023        | 69,241,694             | 157,734,692         | -         |   |
|                                | Rent expense – note 15         | <b>2024</b> | <b>2,473,868</b>       | -                   | -         | Unsecured and interest bearing, payable in cash, not impaired     |
|                                |                                | 2023        | 2,346,999              | -                   | -         |   |
|                                | Notes receivable               | <b>2024</b> | -                      | <b>20,790,455</b>   | -         | Unsecured and interest bearing, payable in cash, not impaired     |
|                                |                                | 2023        | -                      | 20,811,943          | -         |   |
|                                | Accrued interest               | <b>2024</b> | <b>1,448,780</b>       | <b>573,868</b>      | -         |   |
|                                |                                | 2023        | 1,498,358              | 20,122              | -         |   |

The Company's commission income amounting to ₱68,341,926 and ₱69,241,694 in 2024 and 2023, respectively, were earned from its sales of insurance policies to affiliated companies.

#### Key management personnel compensation

Compensation of key management personnel by benefit type is as follows:

|                                   | 2024              | 2023       |
|-----------------------------------|-------------------|------------|
| <i>Short-term benefits</i>        |                   |            |
| Salaries and wages                | <b>₱2,740,044</b> | ₱2,653,445 |
| Director's fees                   | <b>1,824,374</b>  | 1,649,034  |
| 13th month pay and other benefits | <b>1,448,419</b>  | 1,847,860  |
|                                   | <b>₱6,012,837</b> | ₱6,150,339 |

## 19. INCOME TAXES

Components of income tax expense are as follows:

|              | 2024              | 2023       |
|--------------|-------------------|------------|
| Current tax  | <b>₱4,985,829</b> | ₱6,085,252 |
| Deferred tax | <b>(181,467)</b>  | (32,349)   |
|              | <b>₱4,804,362</b> | ₱6,052,903 |

The reconciliation between income tax expense at statutory tax rate and as presented in the statement of comprehensive income is as follows:

|  | 2024              | 2023       |
|--|-------------------|------------|
| Income tax expense at statutory rate   | <b>₱4,948,266</b> | ₱5,990,355 |
| Income tax effects of:                 |                   |            |
| Interest income subjected to final tax | <b>(156,425)</b>  | (2,620)    |
| Dividend income subjected to final tax | <b>(9,835)</b>    | (9,835)    |
| Nondeductible expense                  | <b>22,356</b>     | -          |
| Miscellaneous expenses                 | -                 | 75,003     |
|  | <b>₱4,804,362</b> | ₱6,052,903 |

Deferred tax assets related to the tax effect of the temporary differences are as follow:

|   | 2024              | 2023       |
|---|-------------------|------------|
| Deferred tax assets:                    |                   |            |
| Retirement liability                    | <b>₱1,050,987</b> | ₱877,503   |
| Excess of contribution over normal cost | <b>837,017</b>    | 789,405    |
| Unrealized fair value loss on FVPL      | <b>220,978</b>    | -          |
| Allowance for ECL on receivables        | <b>67,565</b>     | 55,432     |
|   | <b>₱2,176,547</b> | ₱1,722,340 |

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial instruments consist of cash, premiums and other receivables (net), financial assets at fair value, refundable deposits, due to insurance companies and accrued expenses and other liabilities (except due to government agencies). The main purpose of these financial instruments is to fund the Company's operations.

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the BOD and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial market.

The main financial risks arising from the financial instruments are credit risk, liquidity risk, and interest rate risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below:

### *Credit risk*

Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivables are monitored on an on-going basis with the result that the Company's exposure to possible losses is not significant.

With respect to credit risk arising from cash, the Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to its carrying amount. Cash in bank is deposited with reputable commercial banks duly approved by management and is available for withdrawal.

Maximum credit risk is equal to the gross amount of these instruments as follows:

|                                | 2024                | 2023         |
|--------------------------------|---------------------|--------------|
| Premiums and other receivables | <b>₱188,760,877</b> | ₱183,907,036 |
| Cash in banks                  | <b>31,678,841</b>   | 39,613,168   |
| Financial assets at FVPL       | <b>4,681,409</b>    | 5,525,706    |
| Refundable deposits            | <b>611,573</b>      | 698,320      |
|                                | <b>₱225,732,700</b> | ₱229,744,230 |

The table below summarizes the Company's financial assets based on aging:

| <b>2024</b>                    | <b>Neither past due<br/>nor impaired</b> | <b>Past due but not<br/>impaired – Less<br/>than one year</b> | <b>Past due and<br/>impaired</b> | <b>Total</b>        |
|--------------------------------|--|---|----------------------------------|---------------------|
| Cash                           | <b>₱31,678,841</b>                       | <b>₱-</b>   | <b>₱-</b>                        | <b>₱31,678,841</b>  |
| Premiums and other receivables | <b>112,957,988</b>                       | <b>75,685,781</b>   | <b>117,108</b>                   | <b>188,760,877</b>  |
| Financial assets at FVPL       | <b>4,681,409</b>                         | <b>-</b>  | <b>-</b>                         | <b>4,681,409</b>    |
| Refundable deposits            | <b>611,573</b>                           | <b>-</b>  | <b>-</b>                         | <b>611,573</b>      |
|                                | <b>₱149,929,811</b>                      | <b>₱75,685,781</b>  | <b>₱117,108</b>                  | <b>₱225,732,700</b> |

  

| <b>2023</b>                    | <b>Neither past due<br/>nor impaired</b> | <b>Past due but not<br/>impaired – Less<br/>than one year</b> | <b>Past due and<br/>impaired</b> | <b>Total</b>        |
|--------------------------------|--|---|----------------------------------|---------------------|
| Cash                           | <b>₱39,613,168</b>                       | <b>₱-</b>   | <b>₱-</b>                        | <b>₱39,613,168</b>  |
| Premiums and other receivables | <b>115,781,518</b>                       | <b>68,056,943</b>   | <b>68,575</b>                    | <b>183,907,036</b>  |
| Financial assets at FVPL       | <b>5,525,706</b>                         | <b>-</b>  | <b>-</b>                         | <b>5,525,706</b>    |
| Refundable deposits            | <b>698,320</b>                           | <b>-</b>  | <b>-</b>                         | <b>698,320</b>      |
|                                | <b>₱161,618,712</b>                      | <b>₱68,056,943</b>  | <b>₱68,575</b>                   | <b>₱229,744,230</b> |

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

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

| <b>2024</b>                             | <b>Within 1 year</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b>        |
|---|----------------------|------------------|---------------------|---------------------|
| Due to insurance companies              | <b>₱101,974,665</b>  | <b>₱-</b>        | <b>₱-</b>           | <b>₱101,974,665</b> |
| Accrued expenses and other liabilities* | <b>4,323,745</b>     | <b>-</b>         | <b>-</b>            | <b>4,323,745</b>    |
|   | <b>₱106,298,410</b>  | <b>₱-</b>        | <b>₱-</b>           | <b>₱106,298,410</b> |

  

| <b>2023</b>                             | <b>Within 1 year</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b>        |
|---|----------------------|------------------|---------------------|---------------------|
| Due to insurance companies              | <b>₱105,411,897</b>  | <b>₱-</b>        | <b>₱-</b>           | <b>₱105,411,897</b> |
| Accrued expenses and other liabilities* | <b>5,534,652</b>     | <b>-</b>         | <b>-</b>            | <b>5,534,652</b>    |
|   | <b>₱110,946,549</b>  |                  |                     | <b>₱110,946,549</b> |

\*Excluding due to government agencies amounting to ₱6,882,197 and ₱5,942,957 as at December 31, 2024 and 2023, respectively

*Interest rate risk*

Interest rate risk pertains to the fluctuations in interest on notes receivable. The notes receivable are earning interest of 7% per annum.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

The primary measure of the Company's interest rate risk is the duration of its financial assets. It quantifies the effect of changes in interest rates in the value of fixed income securities. The longer the duration, the more sensitive it should be to changes in interest rates.

#### Capital management

The Company's risk management function has developed and implemented certain minimum stress and scenario test for identifying the risk to which the Company is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The operations of the Company are also subject to the regulatory requirements of SEC and IC. Such regulations not only prescribed approval and monitoring of activities but also impose certain restrictive provisions.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The debt-to-equity ratio is as follows:

|                      | 2024                | 2023         |
|----------------------|---------------------|--------------|
| Total debt           | <b>₱117,488,262</b> | ₱120,463,610 |
| Total equity         | <b>144,242,998</b>  | 137,494,592  |
| Debt-to-equity ratio | <b>81%</b>          | 88%          |

#### Supplementary information required by IC

In compliance with IC Circular Letter No. 2021-65 and 69, presented below are the information required by IC:

##### *a) Segregation of clients' money account*

As at December 31, 2024 and 2023, the Company's clients' money amounted to ₱7,389,942 and ₱5,333,532, respectively and are presented as part of "Cash" in the statement of financial position. The Company maintains a separate file to monitor the movement of the clients' money. The clients' money is properly segregated from the Company's general fund.

##### *b) Net worth compliance*

The company is required to comply with the minimum net worth requirements for insurance brokers amounting to ₱10,000,000 per IC CL No. 2018-52.

The Company's net worth as at December 31, 2024 and 2023 amounted to ₱144,242,998 and ₱137,494,592, respectively, with total capital stock of ₱50,000,000 issued and outstanding as at December 31, 2024 and 2023. The Company is in compliance with the minimum net worth requirement set forth by the IC.

*c) Fiduciary ratio requirement*

The Company is required to comply with the fiduciary ratio requirement per IC CL No. 2021-65. The fiduciary ratio is a measure to assess the Company's conduct of handling premiums from the policyholder, given that a broker is expected to be acting on a fiduciary capacity.

The fiduciary ratio is computed by dividing the total fiduciary assets (either cash or receivables being held by an insurance and/or reinsurance broker, over the total fiduciary liabilities). The fiduciary ratio to be maintained shall be 1:1. Amounts used are gross of the commissions, allowances for impairment, taxes, fees and other charges. The fiduciary assets and liabilities used are in accordance with IC CL No. 2021-69 or the Revised SCA for Insurance Brokers.

*Fiduciary transaction model*

The Company uses a credit agreement transaction type. This is a type of transaction wherein an insurance and/or reinsurance broker 1) collects premium receivable from clients/insurers and remits to insurance /reinsurance companies, 2) remits claim payments to claimants/cedants on behalf on the insurance/reinsurance company or 3) other credit agreement.

*Fiduciary ratio computation*

As at December 31, the Company's fiduciary ratio is computed as follows:

|  | 2024                | 2023         |
|--|---------------------|--------------|
| Fiduciary assets:                            |                     |              |
| Client's money                               | <b>₱7,389,942</b>   | ₱5,333,532   |
| Receivable from insurance companies' clients | <b>166,699,656</b>  | 162,358,397  |
| Less: Commissions receivable                 | <b>(72,114,933)</b> | (62,280,031) |
|  | <b>101,974,665</b>  | 105,411,898  |
| Fiduciary liabilities:                       |                     |              |
| Due to insurance companies                   | <b>101,974,665</b>  | 105,411,897  |
| Fiduciary ratio:                             | <b>1.00</b>         | 1.00         |

The receivable from insurance companies' clients is recorded at gross of commissions receivable from the insurer (Principal) while the due to insurance companies is recorded net of commissions.

Based on the computation, the Company is compliant with the requirement of IC CL No. 2021-65.

## 21. FAIR VALUE INFORMATION

### Financial asset measured at fair value

The fair value of financial assets at FVPL as at December 31 is determined as follows:

|                          | 2024              | 2023       | Fair value hierarchy |
|--------------------------|-------------------|------------|----------------------|
| Financial assets at FVPL | <b>₱4,681,409</b> | ₱5,525,706 | Level 1              |

Fair value of financial assets at FVPL is based on quoted prices published by the PSE.

### Financial assets and liabilities not measured at fair value

The following gives information about how the fair value of the Company's financial assets and liabilities, which are not measured at fair value but the fair values, are disclosed at the end of each reporting period are determined.

*Cash, premiums and other receivables, refundable deposits under prepayments and other current assets, due to insurance companies and accrued expenses and other liabilities*

Due to the short-term nature of these financial instruments, their fair value approximates the carrying amount as at reporting dates.

## 22. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

In compliance with Bureau of Internal Revenue (BIR) Regulations No. 15-2010 issued on November 25, 2010, summarized below are the taxes and licenses paid by the Company:

|                               | 2024            |
|-------------------------------|-----------------|
| Business permits and licenses | <b>₱641,925</b> |
| IC fees                       | <b>297,950</b>  |
|                               | <b>₱939,875</b> |

The Company has not paid documentary stamp taxes for the year 2024.

Details of the Company's withholding taxes during the year are as follow:

|                                 | 2024              |
|---------------------------------|-------------------|
| Expanded withholding tax        | <b>₱6,467,969</b> |
| Withholding tax on compensation | <b>735,986</b>    |
| Final withholding taxes         | <b>651,213</b>    |
|                                 | <b>₱7,855,168</b> |

VAT sales during the year are as follow:

|                                     | 2024         |
|-------------------------------------|--------------|
| Output VAT tax base                 | ₱117,212,435 |
| Output tax declared during the year | 14,065,492   |

Details of VAT input taxes during the year are as follow:

|   | 2024      |
|---|-----------|
| Balance at beginning of year                              | ₱-        |
| Add: Domestic purchases of goods other than capital goods | 91,479    |
| Domestic purchases of services                            | 604,022   |
| Less: Claim for tax credit/charged against output VAT     | (695,501) |
| Balance at end of year                                    | ₱-        |

Details on the Company's VAT declared during the year are as follow:

|                  | 2024               |
|------------------|--------------------|
| Output VAT       | <b>₱14,065,492</b> |
| Input VAT        | <b>695,501</b>     |
| Net VAT remitted | <b>₱13,369,991</b> |

#### Deficiency tax assessment

The Company paid deficiency taxes in 2024 for the taxable year 2022 amounting to ₱100,811.

#### Tax cases

The Company has no tax cases under preliminary investigation and/or prosecution in courts or bodies outside the BIR.

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