



## SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



**The following document has been received:**

**Receiving:** Jyrod Genova

**Receipt Date and Time:** May 22, 2023 11:30:07 AM

### Company Information

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**SEC Registration No.:** CS201906000

**Company Name:** CEBUANA LHUILLIER INSURANCE BROKERS, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF CEBUANA LHUILLIER FINANCIAL

**Industry Classification:** K66220

**Company Type:** Stock Corporation

### Document Information

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**Document ID:** OST10522202381186983

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2022

**Submission Type:** Annual

**Remarks:** None

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Acceptance of this document is subject to review of forms and contents

**C O V E R   S H E E T**  
**for**  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

C	E	B	U	A	N	A		L	H	U	I	L	L	I	E	R		I	N	S	U	R	A	N	C	E		B	R	O	K	E	R	S	,		I	N
C	.		D	o	i	n	g		b	u	s	i	n	e	s	s		u	n	d	e	r		t	h	e		n	a	m	e		a	n	d		s	t
y	I	E		o	f		C	e	b	u	a	n	a		L	h	u	i	l	l	i	e	r		F	i	n	a	n	c	i	a	l					

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

1	1	3	3		C	h	i	n	o		R	o	c	e	s		c	o	r	n	e	r		M	e	t	r	o	p	o	l	i	t	a	n		A	v
e	n	u	e	s	,		B	a	r	a	n	g	a	y		S	a	n		A	n	t	o	n	i	o	,		M	a	k	a	t	i		C	i	t
y		1	2	0	3																																	

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

Insurance Broker
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**C O M P A N Y   I N F O R M A T I O N**

Company's Email Address

clib_insurance@yahoo.com
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Company's Telephone Number

8895-5339
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Mobile Number

0920-913-3943
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No. of Stockholders

8
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Annual Meeting (Month / Day)

April 28
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Calendar Year (Month / Day)

December 31
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**C O N T A C T   P E R S O N   I N F O R M A T I O N**

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

Name of Contact Person

Ms. Caroline O. Villaseran
----------------------------

Email Address

covillaseran@pjlhuillier.com
------------------------------

Telephone Number

77599888
----------

Mobile Number

0920-913-3943
---------------

**C O N T A C T   P E R S O N ' S   A D D R E S S**

CLSC Building, 1600 Baler Corner Pililia Streets, Valenzuela, Makati City
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

## Your BIR AFS eSubmission uploads were received

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Date: Tuesday, May 2, 2023 at 10:18 PM GMT+8

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Hi CEBUANA LHUILLIER INSURANCE BROKERS INC.,

### Valid files

- EAFS010306562RPTTY122022.pdf
- EAFS010306562ITRTY122022.pdf
- EAFS010306562AFSTY122022.pdf
- EAFS010306562TCRTY122022-01.pdf
- EAFS010306562OTHTY122022.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-CAJ67A6809KA799A9QZRYVY3P0BALJ85HH**

Submission Date/Time: **May 02, 2023 09:58 PM**

Company TIN: **010-306-562**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Cebuana Lhuillier Insurance Brokers, Inc.  
1133 Chino Roces corner Metropolitan Avenues  
Barangay San Antonio  
Makati City 1203

### *Opinion*

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

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

### *Basis for Opinion*

We conducted our audits 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 the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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



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

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

*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 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 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 audits.

**REYES TACANDONG & Co.**

PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 128829-SEC Group A

Issued March 23, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

Valid until January 24, 2026

PTR No. 9564568

Issued January 3, 2023, Makati City

March 20, 2023

Makati City, Metro Manila

**CEBUANA LHUILLIER INSURANCE BROKERS INC.**  
1133S Chino Roces Avenue cor. Metropolitan Avenue, Brgy. San Antonio, Makati City

March 20, 2023

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of CEBUANA LHUILLIER INSURANCE BROKERS INC. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, 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.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
JEAN HENRI D. LHUILLIER  
Chairman of the Board and President and CEO

  
REGINALD ANGELO S. GRIPAL  
Chief Finance Officer

Signed this 20th day of March 2023.

REPUBLIC OF THE PHILIPPINES )  
Makati City ) S.S.

Before me, a Notary Public for and in Makati City this MAR 20 2023 day of March, personally appeared:

NAME	CTC NO/DRIVER'S LICENSE	DATE AND PLACE ISSUED	TIN
JEAN HENRI D. LHUILLIER	CTC# 17431730	January 03, 2023/ Parañaque City	126-715-389
REGINALD ANGELO S. GRIPAL	N25-04-004750	August 17, 2018/Quezon City	248-493-790

Known to me to be the same persons executed in the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

INWITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No. 55;  
Page No. 12;  
Book No. II;  
Series of 2023.



  
ATTY. MARY GRACED D. ANDRES  
Notary Public for Makati City  
Appointment No. M-120  
Valid until 31 December 2023  
6th floor P2L Corporate Centre, 1782 N. Garcia  
Cor. Candelaria Sts., Makati City  
Roll of Attorneys No. 74579  
PTR No. 9560256/ January 5, 2023 / Makati City  
IBP OR No. 261500 / January 3, 2023  
MCLE Compliance No. VI-0003327/January 16, 2022

**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

		<b>December 31</b>	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	<b>₱184,099,294</b>	₱135,900,467
Trade and other receivables	5	<b>147,396,908</b>	113,692,688
Other current assets	6	<b>5,071,336</b>	4,811,311
Total Current Assets		<b>336,567,538</b>	254,404,466
<b>Noncurrent Assets</b>			
Property and equipment	7	<b>10,816,848</b>	12,975,776
Computer software	8	<b>6,463,890</b>	12,276,290
Net retirement plan asset	15	<b>5,254,071</b>	6,447,900
Net deferred tax asset	16	<b>391,073</b>	–
Total Noncurrent Assets		<b>22,925,882</b>	31,699,966
		<b>₱359,493,420</b>	₱286,104,432
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	<b>₱144,649,550</b>	₱110,607,934
Current portion of lease liabilities	17	<b>3,242,674</b>	2,774,297
Total Current Liabilities		<b>147,892,224</b>	₱113,382,231
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	17	<b>674,939</b>	2,965,760
Net deferred tax liability	16	–	147,428
Total Noncurrent Liabilities		<b>674,939</b>	3,113,188
Total Liabilities		<b>148,567,163</b>	116,495,419
<b>Equity</b>			
Capital stock	11	<b>95,000,000</b>	95,000,000
Retained earnings		<b>111,140,872</b>	68,969,425
Cumulative remeasurement gain on net retirement plan asset	15	<b>4,785,385</b>	5,639,588
Total Equity		<b>210,926,257</b>	169,609,013
		<b>₱359,493,420</b>	₱286,104,432

*See accompanying Notes to Financial Statements.*



**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**

**STATEMENTS OF COMPREHENSIVE INCOME**

		<b>Years Ended December 31</b>	
	Note	<b>2022</b>	<b>2021</b>
<b>SERVICE INCOME</b>	17	<b>₱335,883,515</b>	₱343,195,760
<b>COST OF SERVICES</b>	12	<b>200,380,105</b>	198,157,745
<b>GROSS INCOME</b>		<b>135,503,410</b>	145,038,015
<b>OPERATING EXPENSES</b>	13	<b>(85,162,377)</b>	(68,117,192)
<b>OTHER INCOME</b>	14	<b>6,730,605</b>	5,787,478
<b>INTEREST EXPENSE</b>	17	<b>(127,088)</b>	(169,896)
<b>INCOME BEFORE INCOME TAX</b>		<b>56,944,550</b>	82,538,405
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	16		
Current		<b>15,026,869</b>	20,545,452
Deferred		<b>(253,766)</b>	(1,710,149)
		<b>14,773,103</b>	18,835,303
<b>NET INCOME</b>		<b>42,171,447</b>	63,703,102
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Not to be reclassified to profit or loss</i>			
Remeasurement gain on net retirement plan asset			
(net of deferred tax of ₱0.3 million in 2022)	15	<b>(854,203)</b>	5,639,588
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱41,317,244</b>	₱69,342,690

*See accompanying Notes to Financial Statements.*

**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**

**STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31	
	Note	2022	2021
<b>CAPITAL STOCK - ₱100 par value</b>			
	11		
Balance at beginning of year		<b>₱95,000,000</b>	₱50,000,000
Issuance of stock through stock dividends		–	45,000,000
Balance at end of year		<b>95,000,000</b>	95,000,000
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		<b>68,969,425</b>	50,266,323
Net income		<b>42,171,447</b>	63,703,102
Stock dividends	11	–	(45,000,000)
Balance at end of year		<b>111,140,872</b>	68,969,425
<b>CUMULATIVE REMEASUREMENT GAIN ON NET RETIREMENT PLAN ASSET</b>			
Balance at beginning of year		<b>5,639,588</b>	–
Remeasurement	15	<b>(854,203)</b>	5,639,588
Balance at end of year		<b>4,785,385</b>	5,639,588
		<b>₱210,926,257</b>	₱169,609,013

*See accompanying Notes to Financial Statements.*

**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**

**STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	Note	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱56,944,550</b>	₱82,538,405
Adjustments for:			
Write-off of computer software	8	<b>8,266,140</b>	—
Depreciation and amortization	7	<b>6,054,927</b>	4,218,004
Impairment losses on trade receivables	5	<b>940,561</b>	1,381,427
Interest income	4	<b>(145,605)</b>	(228,757)
Interest expense on lease liabilities	17	<b>127,088</b>	169,896
Retirement benefit expense	15	<b>1,060,293</b>	1,042,694
Operating income before working capital changes		<b>73,247,954</b>	89,121,669
Decrease (increase) in:			
Trade and other receivables		<b>(34,094,410)</b>	28,835,987
Other current assets		<b>(260,025)</b>	(2,389,050)
Increase (decrease) in trade and other payables		<b>33,036,214</b>	(46,032,140)
Net cash generated from operations		<b>71,929,733</b>	69,536,466
Income taxes paid		<b>(15,026,869)</b>	(24,290,070)
Interest received		<b>145,605</b>	228,757
Net cash provided by operating activities		<b>57,048,469</b>	45,475,153
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Computer software	8	<b>(2,947,010)</b>	(7,078,737)
Property and equipment	7	<b>(2,916,683)</b>	(8,265,632)
Cash used in investing activities		<b>(5,863,693)</b>	(15,344,369)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Payments of lease liabilities	17	<b>(2,985,949)</b>	(2,463,920)
<b>NET INCREASE IN CASH</b>		<b>48,198,827</b>	27,666,864
<b>CASH AT BEGINNING OF YEAR</b>		<b>135,900,467</b>	108,233,603
<b>CASH AT END OF YEAR</b>		<b>₱184,099,294</b>	₱135,900,467

*See accompanying Notes to Financial Statements.*

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## CEBUANA LHUILLIER INSURANCE BROKERS, INC.

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### NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### 1. Corporate Information

Cebuana Lhuillier Insurance Brokers, Inc. doing business under the name and style of Cebuana Lhuillier Financial (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 11, 2019 to act as broker soliciting, procuring, negotiating, receiving, managing, and forwarding applications for Non-life, Life, Pre-Need, Mutual Funds and HMO (Health Management Organization) and all other kinds of insurance contracts, or in any other manner aiding in taking out insurance, collecting payments of premiums due on such policies, and doing such other business as may be delegated to brokers of such companies in the conduct of a general insurance brokerage business.

The registered office of the Company is 1133 Chino Roces corner Metropolitan Avenues, Barangay San Antonio, Makati City 1203.

On February 24, 2020, the Insurance Commission (IC) granted the Company's license to operate as an insurance broker with Certificate of Authority No. IB-03-2023-R valid until December 31, 2025.

On March 1, 2020, the Company commenced its operations as a regular insurance broker on behalf of its principal insurance companies.

#### **Approval of the Financial Statements**

On November 14, 2022, the Board of Directors (BOD) authorized the Company's Chairman of the Board to approve the issuance of the Company's financial statements as at and for the year ended December 31, 2021.

The Chairman of the Board reviewed and approved the release of the financial statements on March 20, 2023.

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#### 2. Summary of Significant Accounting Policies

##### **Basis of Preparation**

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), including the SEC provisions.

##### **Measurement Basis**

The financial statements of the Company are presented in Philippine Peso (Peso), the Company's functional and presentation currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The financial statements have been prepared on a historical cost basis of accounting except for retirement plan asset which are measured at present value of defined benefit obligation less fair value of plan assets and lease liabilities which are measured at present value of minimum lease payments. Historical cost is generally based on the fair value of the consideration given in exchange for an asset 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 a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

Further information about the assumptions made in measuring fair values is included in Note 19, *Fair Value Measurement*.

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is

recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS.
  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.
  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

#### **Amended PFRS in Issue But Not Yet Effective or Adopted**

Relevant new and amended PFRS, which are not yet effective as at December 31, 2022, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step

materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRS and PIC issuances is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset or a liability or equity instrument of another entity.

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

*“Day 1” Difference.* Where the transaction 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 profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss 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.

### **Financial Assets**

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI), and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

As at reporting date, the Company does not have financial assets measured at FVPL and FVOCI.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if 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 recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash, trade and other receivables and refundable deposits (included under "Other current assets" account) are classified under this category (see Notes 4, 5 and 6).

*Cash.* Cash includes cash on hand and in banks which are measured at face value. Cash in banks earn interest at prevailing bank deposit rates.

*Trade and Other Receivables.* For trade receivables without significant financing component, the Company has applied the simplified approach in measuring estimated credit losses (ECL). The Company also elected to apply simplified approach for trade receivables with significant financing component.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments measured at amortized cost. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

*Refundable Deposits.* Refundable deposits arise from operating lease agreements. Refundable deposits maturing within 12 months from reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Impairment.* The Company recognizes an allowance for ECL for all instruments not measured at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset to be in default when contractual payments are 90 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Reclassification.* The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

There were no reclassifications of financial assets in 2022 and 2021.

*Derecognition.* 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 financial 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 financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

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

### **Financial Liabilities**

*Classification.* The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost, (b) financial liabilities at FVPL.

As at reporting date, the Company does not have financial liabilities measured at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Company’s trade and other payables (excluding payable to government agencies and unearned income) and lease liabilities are classified under this category (see Notes 9 and 17).

*Classification of Financial Instrument between Liability and Equity.* A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged, 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 an 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 is recognized in profit or loss.

### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

### **Other Current Assets**

Other current assets include refundable deposits, deferred input value-added tax (VAT), creditable withholding tax (CWT) and prepayments that are initially recorded at transaction cost.

*Deferred Input VAT.* Deferred input VAT represents input VAT on unpaid services and unamortized amount of input VAT from purchase of capital goods to be amortized over the life of the corresponding assets or 60 months, whichever is shorter. Upon amortization, this is applied against output VAT payable. Deferred input VAT which will not be applied against output VAT within one year is considered as noncurrent assets.

The amortization of input VAT shall only be allowed until December 31, 2021, after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as schedule until fully utilized.

Starting January 1, 2022, input VAT on goods purchased shall be fully recognized outright and may be claimed as input tax credits against output tax.

*CWT.* CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWT is recognized at transaction amount less provision for impairment loss, if any.

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

Prepayments are classified in the statement of financial position as current assets when it is expected to be realized for no more than 12 months after the reporting date. Otherwise, prepayments are classified as noncurrent assets.

### **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation, amortization and any impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable taxes and any direct costs attributable in bringing the property and equipment to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that these expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

ROU asset represents a lessee's right to use an underlying asset for the lease term. These are recognized at the commencement date of the lease and are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the ROU asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred and an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset.

Depreciation and amortization commence when property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale and the date the property and equipment is derecognized.

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related property and equipment or to the date of the next major renovation, whichever is earlier.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Type	Number of Years
Leasehold improvements	5
ROU assets	3 to 5 or lease term, whichever is shorter
Transportation equipment	5
Office furniture and fixtures	5
Computer equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment, and adjusted prospectively, if there is an indication of a significant change since the last reporting date.

Fully depreciated and amortized property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the property and equipment is derecognized.

#### **Computer Software**

Computer software is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment loss.

Amortization of computer software commences when the asset is in its location or condition capable of being operated in the manner intended by management. Amortization ceases at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognized.

Computer software is amortized over its useful life of five years on a straight-line basis and assessed for impairment whenever there is an indication that the computer software may be impaired. The estimated useful life and amortization method for computer software are reviewed at least annually. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the computer software are recognized as part of current operations.

When computer software is retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment losses are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

#### **Impairment of Nonfinancial Assets**

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these assets maybe impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

The recoverable amount of an asset is the greater of its value in use or its fair value less cost of disposal. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Reversals of impairment are recognized in profit or loss.

#### **Unearned Income**

Unearned income pertains to commission received from principal in advance. Unearned income is recorded at face amount and are recognized as revenue when the Company performs under the contract.

#### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued and outstanding.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income. Stock dividends are recognized as stock dividends distributable and deducted from equity in the period in which the dividends are approved by the BOD.

*Cumulative Remeasurement Gain on Net Retirement Asset.* This pertains to accumulated remeasurement gains or losses on net retirement asset, which are not recognized in profit or loss. Remeasurement gain or loss when earned or incurred for the period are classified as other comprehensive income or loss and presented after net income in the statement of comprehensive income. The accumulated remeasurement gains or losses are separately presented in the equity section of the statement of financial position.

### **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 perform 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 Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as an agent in all of its revenue sources.

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

*Service Income.* Service income is recognized when services as an insurance broker have been rendered. Service income includes gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and service taxes and VAT are not economic benefits which flow to the entity and do not result in increases in equity. The amounts collected on behalf of the principals are not recognized as revenue.

Revenue outside the scope of PFRS 15 is recognized as follows:

*Rent Income.* Rent income on leased property is recognized on a straight-line basis over the lease term.

*Interest Income.* Interest income is recognized as the interest accrues, taking into consideration the effective yield on the asset.

*Other Income.* Income from other sources is recognized when the earning process is complete and the flow of future economic benefits are reasonably assured.

### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss upon consumption of goods or utilization of services at the date these expenses are incurred.

*Cost of Services.* Cost of services pertains to cost directly attributable to the revenue generating activities of the Company. It is recognized when the related expense to render the services are incurred.

*Operating Expenses.* Operating expenses constitute cost of administering the business and costs incurred to market and sell the services. These are expensed as incurred.

*Interest Expense.* Interest expense is recognized as expense when incurred.

### **Related Party Transactions and Relationships**

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be 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. This includes: (a) individuals who, owning directly or indirectly through one or more

intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

#### **Leases**

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- a. The right to obtain substantially all of the economic benefits from the use of the identified asset; and
- b. The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

*The Company as a Lessee.* At the commencement date, the Company recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

**ROU Asset.** At commencement date, the Company measures ROU asset at cost. The cost comprises:

- a. The amount of the initial measurement of lease liability;
- b. Any lease payments made at or before the commencement date less any lease incentives received;
- c. Any initial direct costs; and
- d. An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU asset is recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU asset is carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from three to five years. The ROU asset is included as part of "Property and Equipment" account in the statement of financial position.



*Lease Liabilities.* At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

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

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

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Lease liability is classified in the statement of financial position as current liabilities when it is expected to be paid for no more than 12 months after the financial year. Otherwise, lease liability is classified as noncurrent liabilities.

### **Employee Benefits**

*Short-term Employee Benefits.* The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, leave credits, bonuses, employer's share on government contributions and other short-term benefits.

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

*Retirement Benefits.* The Company has a funded, noncontributory defined benefit plan covering all its qualified employees. The cost of retirement benefits is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

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

The net retirement plan assets is the aggregate of the present value of the retirement liability and the fair value of plan assets on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the 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 they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

### **Income Tax**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax is recognized in profit or loss except for the effect of items recognized as OCI or items directly recognized in equity.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which part of the deferred tax asset can be utilized. Unrecognized deferred tax asset is reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax asset to be recovered.

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

*Offsetting.* Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

### **Contingencies**

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

### **Events after the Reporting Date**

Events after the reporting date that provide additional information about the Company's financial position as at reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

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## **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in compliance with PFRS requires management to exercise judgments, make estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. These judgments, estimates and assumptions are based upon management's evaluation of relevant facts and circumstances as at reporting date. Actual results could differ from these judgments, estimates and assumptions used and the effect of any change in estimates will be adjusted accordingly when these become reasonably determinable.

Judgments, estimates and assumptions 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.

The Company believes the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the financial statements.

### **Judgments**

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

*Recognizing Revenue from Service Income.* The recognition of revenue over time requires certain judgment on the methods used to recognize revenue. The Company recognizes revenue if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company performance as the entity performs;
- The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company 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.

The service income recognized over time amounted to ₱335.9 million and ₱343.2 million in 2022 and 2021, respectively (see Note 17).

*Determining whether the Company Acts as a Principal or an Agent on its Service Revenues.* The Company determined that it has no control over the determination of its service revenues. The Company receives its revenues by providing services to its principals. Accordingly, the Company determined that it acts in the capacity of an agent, rather than as a principal in its operations.

*Classifying Leases - The Company as a Lessor.* The Company entered into a sublease agreement covering certain store spaces in its mall branches with a related party. The Company determined, based on the evaluation of terms and conditions of agreement, that the lessor retains all the significant risks and rewards of ownership of the commercial property. Thus, the agreement is accounted for as an operating lease.

Rent income amounted to ₱6.6 million and ₱5.1 million in 2022 and 2021, respectively (see Notes 14 and 17).

*Classifying Leases – The Company as a Lessee.* The Company, as a lessee, has an existing renewable lease agreement with a related party covering its office space. For the Company's non-cancellable lease, the Company recognizes ROU asset and lease liability measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

Depreciation expense on ROU assets amounted to ₱2.9 million and ₱2.4 million in 2022 and 2021, respectively (see Note 7). Interest expense on lease liabilities amounted to ₱0.1 million and ₱0.2 million in 2022 and 2021, respectively (see Note 17).

The ROU assets included under "Property and equipment" account amounted to ₱3.8 million and ₱5.6 million as at December 31, 2022 and 2021, respectively (see Note 7). Lease liabilities recognized in the statements of financial position amounted to ₱3.9 million and ₱5.7 million as at December 31, 2022 and 2021, respectively (see Note 17).

Rent expense presented under “Operating expenses” line item, arising from short-term leases amounted to ₱6.9 million and ₱4.4 million in 2022 and 2021, respectively (see Note 13).

*Determining the Incremental Borrowing Rate on Lease.* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company estimates the IBR using available observable inputs, such as the prevailing Bloomberg Valuation Service (BVAL) interest rates, adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

### **Estimates and Assumptions**

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

*Estimating ECL on Trade and Other Receivables.* When the Company assessed that there is a significant change in the credit risk, the Company estimates ECL using a provision matrix which considers the Company’s historical credit loss experience adjusted for forward-looking factors, as appropriate.

Impairment losses on trade receivables amounted to ₱0.9 million and ₱1.4 million in 2022 and 2021, respectively. The carrying amount of trade and other receivables amounted to ₱147.4 million and ₱113.7 million as at December 31, 2022 and 2021, respectively (see Note 5).

*Estimating the Useful Lives of Property and Equipment and Computer Software.* The Company estimates the useful lives of property and equipment and computer software based on the periods over which these assets are expected to be available for its use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of these assets would increase the recorded operating expenses and decrease the carrying amount of the assets.

There was no change in the estimated useful lives of property and equipment and computer software in 2022 and 2021. The carrying amount of property and equipment amounted to ₱10.8 million and ₱13.0 million as at December 31, 2022 and 2021, respectively (see Note 7). The carrying amount of computer software amounted to ₱6.5 million and ₱12.3 million as at December 31, 2022 and 2021, respectively (see Note 8).

*Assessing Impairment Losses on Significant Nonfinancial Assets.* The Company assesses the impairment on its significant nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

Factors that the Company considers in deciding when to perform impairment review includes the following, among others:

- Significant changes or planned changes in the use of the assets or the strategy for overall business;
- Significant under-performance relative to expected historical or projected future operating results; and
- Significant negative industry or economic trends.

The Company determined that there are no indications of impairment on its property and equipment and accordingly, no impairment losses were recognized in 2022 and 2021. For computer software, a write-off amounting to ₱8.3 million was recognized representing cost of software development which was discontinued in 2022.

The carrying amount of significant nonfinancial assets as at December 31, 2022 and 2021, are as follows:

	Note	2022	2021
Property and equipment	7	<b>₱10,816,848</b>	₱12,975,776
Computer software	8	<b>6,463,890</b>	12,276,290

*Assessing the Realizability of Deferred Tax Asset.* The Company's assessment on the realizability of deferred tax asset on deductible temporary differences is based on the projected taxable income in the following periods. This forecast is based on the Company's past results and future expectations on revenues and expenses.

The Company reviews the carrying value of deferred tax asset at the end of each financial reporting date and reduces the carrying value to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rate upon reversal of temporary differences and adjusts the impact of deferred tax accordingly.

Recognized gross deferred tax assets offset against deferred tax liabilities amounted to ₱2.0 million and ₱1.7 million as at December 31, 2022 and 2021, respectively (see Note 16).

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#### 4. Cash

This account consists of:

	2022	2021
Cash in banks	<b>₱182,295,230</b>	₱129,207,828
Cash on hand	<b>1,804,064</b>	6,692,639
	<b>₱184,099,294</b>	₱135,900,467

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned recognized in profit or loss follows:

	Note	2022	2021
Cash in banks		<b>₱143,369</b>	₱189,043
Advances to officers and employees	5	<b>2,236</b>	39,714
	14	<b>₱145,605</b>	₱228,757

## 5. Trade and Other Receivables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		<b>₱100,772,387</b>	₱34,468,976
Related parties	10	<b>33,915,052</b>	67,748,330
Due from related parties	10	<b>871,897</b>	3,595,327
Advances to officers and employees	10	<b>375,957</b>	581,530
Due from principals		<b>13,783,603</b>	8,679,952
		<b>149,718,896</b>	115,074,115
Less allowance for impairment losses on receivables		<b>2,321,988</b>	1,381,427
		<b>₱147,396,908</b>	₱113,692,688

Trade receivables from related parties mainly pertain to premiums collected on behalf of the Company which are remitted within 30 days. Trade receivables from third parties consist of commissions and service income due from principal insurance companies. These are noninterest-bearing and are generally on a 15 to 90-day credit term.

Advances to officers and employees are interest-bearing and non-interest bearing advances settled through salary deductions. Interest income from these advances amounted to ₱2,236 and ₱39,714 in 2022 and 2021, respectively (see Note 4).

Due from principals pertain to claims released to the beneficiaries which are collectible from principal insurance companies.

The movement in allowance for impairment losses on trade receivables is as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱1,381,427</b>	₱—
Provision for impairment losses on receivables	13	<b>940,561</b>	1,381,427
Balance at end of year		<b>₱2,321,988</b>	₱1,381,427

## 6. Other Current Assets

This account consists of:

	Note	2022	2021
Refundable deposits	17	<b>₱4,129,967</b>	₱3,007,355
Deferred input VAT on:			
Unpaid services		<b>544,131</b>	712,532
Purchase of capital goods		<b>41,239</b>	140,212
CWT		<b>19,965</b>	863,260
Others		<b>336,034</b>	87,952
		<b>₱5,071,336</b>	₱4,811,311

## 7. Property and Equipment

Movements in this account are summarized below:

2022							
	Leasehold Improvements	ROU Assets	Office Equipment, Furniture and Fixtures	Computer Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of year	<b>₱7,218,129</b>	<b>₱8,358,018</b>	<b>₱819,903</b>	<b>₱572,115</b>	<b>₱454,121</b>	<b>₱-</b>	<b>₱17,422,286</b>
Additions	<b>612,686</b>	<b>1,036,417</b>	<b>274,830</b>	<b>234,774</b>	<b>1,231,893</b>	<b>562,500</b>	<b>3,953,100</b>
Disposals	<b>-</b>	<b>-</b>	<b>-</b>	<b>(241,161)</b>	<b>(424,107)</b>	<b>-</b>	<b>(665,268)</b>
Balance at end of year	<b>7,830,815</b>	<b>9,394,435</b>	<b>1,094,733</b>	<b>565,728</b>	<b>1,261,907</b>	<b>562,500</b>	<b>20,710,118</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	<b>1,456,473</b>	<b>2,727,967</b>	<b>109,953</b>	<b>78,931</b>	<b>73,186</b>	<b>-</b>	<b>4,446,510</b>
Depreciation and amortization	<b>2,327,615</b>	<b>2,909,595</b>	<b>186,945</b>	<b>101,386</b>	<b>36,116</b>	<b>-</b>	<b>5,561,657</b>
Disposals	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,212)</b>	<b>(70,685)</b>	<b>-</b>	<b>(114,897)</b>
Balance at end of year	<b>3,784,088</b>	<b>5,637,562</b>	<b>296,898</b>	<b>136,105</b>	<b>38,617</b>	<b>-</b>	<b>9,893,270</b>
<b>Carrying Amounts</b>	<b>₱4,046,727</b>	<b>₱3,756,873</b>	<b>₱797,835</b>	<b>₱429,623</b>	<b>₱1,223,290</b>	<b>₱562,500</b>	<b>₱10,816,848</b>

2021							
	Note	Leasehold Improvements	ROU Assets	Office Equipment, Furniture and Fixtures	Computer Equipment	Transportation Equipment	Total
<b>Cost</b>							
Balance at beginning of year		<b>₱-</b>	<b>₱13,666,532</b>	<b>₱-</b>	<b>₱374,529</b>	<b>₱424,107</b>	<b>₱14,465,168</b>
Effect of lease modification	17	<b>-</b>	<b>(6,970,345)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,970,345)</b>
Additions		<b>7,218,129</b>	<b>1,661,831</b>	<b>819,903</b>	<b>197,586</b>	<b>30,014</b>	<b>9,927,463</b>
Balance at end of year		<b>7,218,129</b>	<b>8,358,018</b>	<b>819,903</b>	<b>572,115</b>	<b>454,121</b>	<b>17,422,286</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year		<b>-</b>	<b>369,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369,366</b>
Depreciation and amortization		<b>1,456,473</b>	<b>2,358,601</b>	<b>109,953</b>	<b>78,931</b>	<b>73,186</b>	<b>4,077,144</b>
Balance at end of year		<b>1,456,473</b>	<b>2,727,967</b>	<b>109,953</b>	<b>78,931</b>	<b>73,186</b>	<b>4,446,510</b>
<b>Carrying Amounts</b>		<b>₱5,761,656</b>	<b>₱5,630,051</b>	<b>₱709,950</b>	<b>₱493,184</b>	<b>₱380,935</b>	<b>₱12,975,776</b>

Depreciation and amortization arise from the following:

	Note	2022	2021
Property and equipment		<b>₱5,561,657</b>	₱4,077,144
Computer software	8	<b>493,270</b>	140,860
	13	<b>₱6,054,927</b>	₱4,218,004



## 8. Computer Software

Movements of this account are as follows:

	Note	2022	2021
<b>Cost</b>			
Balance at beginning of year		<b>₱12,464,103</b>	₱5,385,366
Additions		<b>2,947,010</b>	7,078,737
Write-off		<b>(8,266,140)</b>	–
Balance at end of year		<b>₱7,144,973</b>	12,464,103
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>187,813</b>	46,953
Amortization	7	<b>493,270</b>	140,860
Balance at end of year		<b>681,083</b>	187,813
<b>Carrying Amount</b>		<b>₱6,463,890</b>	₱12,276,290

Additions pertain to claims processing software which is still undergoing testing and not yet ready for intended use as at December 31, 2021. The Company expects for the claim processing software to be fully implemented by December 2022.

In 2022, the Company has written-off computer software amounting to ₱8.3 which represents cost of software development which was discontinued.

## 9. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		<b>₱56,788,669</b>	₱49,325,945
Related parties	10	<b>21,170,432</b>	33,655,846
Due to related parties	10	<b>22,008,188</b>	3,630,994
Payable to government agencies		<b>16,434,851</b>	6,084,996
Due to principals		<b>15,691,410</b>	3,755,407
Accruals for:			
Payroll		<b>2,049,815</b>	593,491
Rent	10	<b>1,648,389</b>	1,698,293
Others		–	596,343
Unearned income		<b>4,335,632</b>	4,366,753
Others		<b>4,522,164</b>	6,899,866
		<b>₱144,649,550</b>	₱110,607,934

Trade payable are noninterest-bearing and are normally settled within 15 - 90 days.

Payable to government agencies pertain to unpaid taxes and statutory benefits which are normally settled within the subsequent month.

Accruals are noninterest-bearing and are normally settled throughout the subsequent month.

Unearned income pertains to commission income paid in advance by an insurance company.

Due to principals represent funds received from customers that will be subsequently remitted to principals upon policy issuance.

## 10. Related Party Transactions

In the ordinary course of business, the Company has transactions with related parties. These are summarized below:

Relationship	Accounts	Note	Nature of Transactions	Note	2022		2021	
					Transactions During the Year	Outstanding Balances	Transactions During the Year	Outstanding Balances
Key management personnel	Advances to officers and employees		Interest-bearing cash advances	a	(P423,464)	P—	(P51,536)	P423,464
		4	Interest income		2,236	—	39,714	—
			Noninterest-bearing advances	cash	217,891	375,957	151,821	158,066
		5				P375,957		P581,530
Entities with common stockholders	Trade receivables	5	Premiums collected on behalf of insurance companies	b	P224,988,076	P33,915,052	P239,915,852	P67,748,330
	Trade payables	9,17	Commission expense for sale and marketing services	b	P181,808,842	P21,170,432	P184,319,996	P33,655,846
	Accrued payables	9	Lease of office space	c	P49,904	P1,648,389	P1,823,237	P1,698,293
	Other current assets	17	Refundable deposit	c	P—	P178,863	P—	P178,863
			Working capital advances (settlement)		(P1,760,430)	P871,897	P2,608,033	P2,632,327
		17	Rental income	d	6,585,001	—	5,110,000	963,000
			Premiums collected on behalf of insurance companies (remittance of collection)	b	—	—	(89,726,669)	—
	Due from related parties		Settlement of net retirement liability	d	—	—	(1,038,533)	—
		4				P871,897		P3,595,327
		13	IT support services	c	P3,326,400	P—	P3,168,000	P—
Due to related parties		13	Management fees	c	2,070,000	—	2,760,000	—
			Working capital advances		18,377,194	22,008,188	(93,636,028)	3,630,994
		9				P22,008,188		P3,630,994

- The Company granted an officer advances amounting to P0.5 million in December 2020 payable for a period of five years and bears an annual interest of 12% based on diminishing balance. These are settled through salary deduction on a monthly basis (see Note 4).
- The Company has service contracts with entities with common stockholders whereby the latter render sales and marketing services through branch networks of pawnshops and remittance centers to market insurance products (see Note 17).
- The Company has IT services, support services and operating lease agreements with entities with common stockholders (see Note 17).
- In February 2021, the Company entered into a sublease agreement with an entity under common stockholders wherein the latter leases certain store spaces from the Company's mall branches (see Note 17).

Outstanding balances of transactions with related parties at year-end are unsecured, payable on demand and settlements are made in cash. The Company did not provide for any impairment loss on related party receivables in 2022 and 2021. Management assesses impairment each financial year by reviewing the financial position of each related party and the market in which the related party operates.

#### **Compensation of Key Management Personnel**

Compensation of key management personnel which pertains to short-term and retirement benefits aggregated to ₱34.7 million and ₱33.6 million, respectively.

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### **11. Equity**

Movement in capital stock is as follows:

	2022		2021	
	Shares	Amount	Shares	Amount
<b>Authorized</b>				
Balance at beginning and end of the year	1,000,000	₱100,000,000	1,000,000	₱100,000,000
<b>Issued and Outstanding</b>				
Balance at beginning of year	95,000	95,000,000	50,000	₱50,000,000
Issuances	–	–	45,000	45,000,000
Balance at end of year	95,000	95,000,000	95,000	₱95,000,000

On September 10, 2021, the BOD approved the declaration of 90% stock dividend or 45,000 shares equivalent to ₱45.0 million to the Company's stockholders. Stock issuance cost amounted to ₱0.5 million.

On January 16, 2023, the Board of Directors (BOD) approved the declaration of cash dividends amounting to ₱111.0 per share or a total amount of ₱105.5 million out of the Company's unappropriated retained earnings, payable to all stockholders of record as of January 2022 which was settled in January 2023.

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### **12. Cost of Services**

This account consists of:

	2022	2021
Commission	₱183,501,407	₱185,127,033
Salaries and employee benefits	16,878,698	13,030,712
	₱200,380,105	₱198,157,745

Commission expense pertains to service fee paid to related and third parties for marketing the Company's products and services.

### 13. Operating Expenses

This account consists of:

	Note	2022	2021
Salaries and employee benefits		<b>₱36,130,464</b>	₱38,329,500
Write-off of computer software	8	<b>8,266,140</b>	—
Advertising and promotions		<b>7,361,639</b>	5,522,331
Rent	17	<b>6,860,914</b>	4,423,172
Depreciation and amortization	7	<b>6,054,927</b>	4,218,004
IT services	17	<b>3,326,400</b>	3,168,000
Taxes and licenses		<b>2,786,600</b>	2,709,977
Management fees	17	<b>2,070,000</b>	2,760,000
Outside services		<b>1,513,544</b>	513,840
Professional fees		<b>1,482,198</b>	746,205
Utilities		<b>1,072,875</b>	713,163
Impairment losses on receivables	5	<b>940,561</b>	1,381,427
Trainings and seminars		<b>818,846</b>	251,322
Deliveries and handling		<b>436,613</b>	920,824
Dues and subscriptions		<b>271,088</b>	299,401
Insurance		<b>185,588</b>	108,166
Others		<b>5,583,980</b>	2,051,860
		<b>₱85,162,377</b>	₱68,117,192

### 14. Other Income

This account consists of:

	Note	2022	2021
Rental income	17	<b>₱6,585,000</b>	₱5,110,000
Interest income	4	<b>145,605</b>	228,757
Others		—	448,721
		<b>₱6,730,605</b>	₱5,787,478

### 15. Retirement Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all of its qualified employees.

The following tables summarize the components of net retirement benefit income recognized in the statements of comprehensive income, the movements and amounts recognized in the statements of financial position. The Company's latest actuarial valuation is as at December 31, 2022.

The net retirement benefit expense (income) included as part of “Salaries and employee benefits” line item under “Operating expenses” account consists of:

	2022	2021
Current service cost	<b>₱1,386,557</b>	₱1,295,325
Actual return on plan assets	<b>(326,264)</b>	(252,631)
	<b>₱1,060,293</b>	1,042,694

Net retirement plan asset in 2022 and net retirement liability in 2021 recognized in the statements of financial position follows:

	2022	2021
Fair value of plan asset	<b>₱18,327,601</b>	₱14,014,964
Present value of retirement liability	<b>13,073,530</b>	7,567,064
Net retirement plan asset	<b>₱5,254,071</b>	₱6,447,900

The changes in the fair value of plan asset are as follows:

	2022	2021
Balance at beginning of period	<b>₱14,014,964</b>	₱6,242,882
Actuarial gain	<b>4,250,102</b>	7,519,451
Actual return on plan asset	<b>709,157</b>	252,631
Benefits paid	<b>(646,622)</b>	—
Balance at end of period	<b>₱18,327,601</b>	₱14,014,964

The changes in the present value of retirement liability are as follows:

	2022	2021
Balance at beginning of period	<b>₱7,567,064</b>	₱6,271,739
Current service cost	<b>1,386,557</b>	1,295,325
Interest cost	<b>382,893</b>	—
Benefits paid	<b>(646,622)</b>	—
Actuarial gain	<b>5,389,040</b>	—
Transfer to a related party	<b>(1,005,402)</b>	—
Balance at end of period	<b>₱13,073,530</b>	₱7,567,064

The Company does not expect to contribute to retirement plan in 2023.

The cumulative remeasurement gain on net retirement plan asset recognized in OCI are as follows:

	2022		
	Cumulative Remeasurement Gain	Deferred Tax	Net
Balance at beginning of year	<b>₱7,519,451</b>	<b>₱1,879,863</b>	<b>₱5,639,588</b>
Actuarial gain	<b>(1,138,938)</b>	<b>(284,735)</b>	<b>(854,203)</b>
Balance at end of year	<b>₱6,380,513</b>	<b>₱1,595,128</b>	<b>₱4,785,385</b>

	2021		
	Cumulative Remeasurement Gain	Deferred Tax	Net
Balance at beginning of year	₱—	₱—	₱—
Actuarial gain	7,519,451	1,879,863	5,639,588
Balance at end of year	₱7,519,451	₱1,879,863	₱5,639,588

The categories of plan assets expressed as percentage to the total fair value of the plan assets are as follows:

	2022	2021
Investment in debt and equity securities	100%	100%
Loans and receivables	0%	0%
	100%	100%

The plan exposes the Company to the following risks:

- *Salary risk* - any increase in the retirement plan participants' salary will increase the retirement plan's liability
- *Longevity risk* - any increase in the plan participants' life expectancy will increase the retirement plan's liability
- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets
- *Investment risk* - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise.

The principal assumptions used in determining the net retirement liability of the Company are shown below:

	2022	2021
Discount rates	7.20%	3.96%
Salary increase rates	4.00%	4.00%

A sensitivity analysis was done on the calculation of the net retirement liability using the projected unit credit method and assuming change in significant assumptions, particularly the salary increase rates and the discount rates. Results of sensitivity analyses on the net retirement liability for significant assumptions as at December 31, 2021 is shown below:

	Change in Assumption	Impact	Present Value of Retirement Plan Liability
Discount rate	+0.5%	(₱110,373)	₱12,963,157
	-0.5%	155,383	13,228,913
Salary increase rate	-1.0%	332,282	13,405,812
	+1.0%	(213,594)	12,859,936

The schedule below presents a projection of benefit payments expected to be paid out of the plan assets.

Period	Amount
One year and less	₱—
More than one year to five years	1,505,436
More than five year to ten years	16,535,119
More than ten years to 15 years	3,198,044
More than 15 years to 20 years	34,323,326
More than 20 years	69,418,792
	<b>₱124,980,717</b>

The average duration of the net retirement benefit liability as at December 31, 2022 is 19 years.

## 16. Income Taxes

The Company's provision for current income tax represents regular corporate income tax (RCIT) in 2022 and 2021.

On March 26, 2021, the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) was approved and signed into law by the country's President. Under the CREATE, the regular corporate income tax of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three years.

The income tax rates used in preparing the financial statements are 25% and 1% for RCIT and MCIT, respectively, in 2022 and 2021.

The provision for (benefit from) income tax as reported in the statements of comprehensive income is composed of the following:

	2022	2021
<b>Reported in Profit or Loss</b>		
Current tax:		
Provision for current tax	<b>₱15,026,869</b>	₱22,301,204
Adjustment for current tax of prior period	—	(1,755,752)
	<b>15,026,869</b>	20,545,452
Deferred tax:		
Movement in net deferred tax assets	<b>(253,766)</b>	(1,713,864)
Impact of change in statutory income tax rate	—	3,715
	<b>(253,766)</b>	(1,710,149)
	<b>₱14,773,103</b>	₱18,835,303
<b>Reported in OCI</b>		
Deferred tax expense (benefit) on remeasurement gain on net retirement plan asset	<b>(₱284,735)</b>	₱1,879,863

The components of the Company's net deferred tax liability (assets) as at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets on:		
Unearned income	<b>₱1,083,908</b>	₱1,091,688
Provision for impairment losses on receivables	<b>580,497</b>	345,357
Net retirement liability	<b>281,611</b>	267,888
Excess of lease liabilities over ROU assets	<b>40,185</b>	27,502
	<b>1,986,201</b>	1,732,435
Less deferred tax liability on remeasurement gain on net retirement benefit liability	<b>1,595,128</b>	1,879,863
Net deferred tax assets (liability)	<b>₱391,073</b>	(₱147,428)

The reconciliation of provision for income tax computed at statutory income tax rate with the provision for income tax shown in statements of comprehensive income is as follows:

	2022	2021
Provision for income tax at statutory income tax rate	<b>₱14,236,138</b>	₱20,634,601
Income tax effects of:		
Nondeductible expenses	<b>321,456</b>	—
Interest income already subjected to final tax	<b>(35,842)</b>	(47,261)
Deferred tax on retirement obligation transferred to related party	<b>251,351</b>	—
Income tax effects of change in statutory tax rate for:		
Current income tax	—	(1,755,752)
Deferred income tax	—	3,715
	<b>₱14,773,103</b>	₱18,835,303

## 17. Commitments and Agreements

### a. Broker's Agreements

The principal insurance companies authorize the Company to act as an insurance broker on behalf of the former to solicit, transact and service (life, non-life as applicable) and/or reinsurance business that the insurer is authorized to write and to collect and receive premiums from their clients. In return, the Company is entitled to commissions for the premiums sold.

Service income earned from insurance policies sold amounted to ₱335.9 million and ₱343.2 million in 2022 and 2021, respectively.

### b. Service Contracts with Branch Network of Pawnshops

The Company has service contracts with entities with common stockholders for sales and marketing services of insurance products of the principal insurance companies through its branch network of pawnshops and remittance centers which remains valid unless earlier terminated by either party.



The Company pays the related entities a service fee which is included as part of "Commission expense" line item under "Cost of services" account amounting to ₱183.5 million and ₱184.3 million in 2022 and 2021 (see Note 12).

c. IT Services Agreement

The Company has an IT services agreement with an entity with common stockholders for IT data management, service desk, office remote/branch support, IT skills management, IT portfolio management and IT solutions which is renewable annually. IT services amounted to ₱3.3 million and ₱3.2 million in 2022 and 2021, respectively (see Note 13).

d. Support Services Agreement

The Company has a support services agreement with an entity with common stockholders for accounting, audit, security and legal services which are renewable annually. Management fees amounted to ₱2.1 million and ₱2.8 in 2022 and 2021, respectively (see Note 13). In October 2022, the support services agreement was terminated.

e. Operating Lease Agreements

**Operating Lease Commitments - The Company as Lessor**

The Company has existing rights to sublease its leased premises in accordance with its agreement with a related party. The commercial property subleases with a related party range from one to two years with an option to renew upon mutual agreement of both parties.

Rent income amounted to ₱6.6 million and ₱5.1 million in 2022 and 2021, respectively (see Note 14).

As at December 31, 2022, future minimum lease receivables under non-cancellable operating lease within one year amounted to ₱0.5 million.

**Operating Lease Commitments - The Company as Lessee**

The Company, as a lessee, has entered into an operating lease agreement with an entity with common stockholders covering its office and warehouse space for periods which is renewable annually. Lease payments for the short-term operating lease agreement is recognized as expense on a straight line basis over the lease term.

In November 2020, the Company renewed the lease agreement for a period of 3 years with a certain escalation rate applied every year.

Related refundable deposit on the operating lease agreement with an entity with common stockholders amounted to ₱0.2 million as at December 31, 2022 and 2021 (see Note 10).

Related refundable deposits on the third party operating lease agreements (included in "Other current assets" account) amounted to ₱3.9 million and ₱2.8 million as at December 31, 2022 and 2021, respectively.

Beginning November 10, 2020, the Company recognized ROU asset and related lease liability on its lease covering this leased property. The ROU asset and lease liability are measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate of 2.36% at adoption date.

In January 2021, the lessor agreed to reduce the rental payments for the leased property. The change was not part of the original terms and conditions of the contract and did not arise from clause specifically provided under laws and regulations governing the lease contract. Thus, the Company considered the change in the lease contract as a lease modification. The Company remeasured the lease liability for the revised rental payments at the date of lease modification using a new incremental borrowing rate of 2.12%. The difference of ₱7.0 million between the carrying amount of lease liability and the new lease liability at the date of lease modification was accounted for as a decrease in both ROU asset and lease liability (see Note 7).

In August 31, 2021, the Company entered into a new lease agreement with a related party covering its office space for a period of 3 years with an escalation rate of 5% starting second year. This resulted to recognition of additional ROU asset and related liability amounting to ₱1.7 million at the inception of the lease (see Note 7).

In 2022, the Company entered into new lease agreements with related party covering its warehouse spaces for a period of 3 years with an escalation rate of 5% starting second year. This resulted to recognition of additional ROU asset and related liability amounting to ₱1.0 million at the inception of the lease (see Note 7).

Movements in ROU assets are as follows (see Note 7):

	2022	2021
<b>Cost</b>		
Balance at beginning and end of year	₱8,358,018	₱13,666,532
Addition	1,036,417	1,661,831
Lease modification	—	(6,970,345)
	<b>9,394,435</b>	<b>8,358,018</b>
<b>Accumulated Amortization</b>		
Balance at beginning of year	(2,727,967)	(369,366)
Amortization	(2,909,595)	(2,358,601)
Balance at end of year	<b>(5,637,562)</b>	<b>(2,727,967)</b>
<b>Carrying Amount</b>	<b>₱3,756,873</b>	<b>₱5,630,051</b>

The balances and movements in lease liabilities are as follows:

	2022	2021
Balance at beginning of year	5,740,057	₱13,342,595
Lease modification	—	(6,970,345)
Balance at date of lease modification	5,740,057	6,372,250
Rental payments	(2,985,949)	(2,463,920)
Addition	1,036,417	1,661,831
Accretion of interest	127,088	169,896
Balance at end of year	3,917,613	5,740,057
Current portion	(3,242,674)	(2,774,297)
Noncurrent portion	<b>₱674,939</b>	<b>₱2,965,760</b>

Amounts recognized in profit or loss are as follows:

	Note	2022	2021
Rent expense	13	<b>₱6,860,914</b>	₱4,423,172
Depreciation of ROU assets	7	<b>2,909,595</b>	2,358,601
Interest expense on lease liabilities		<b>127,088</b>	169,896
		<b>₱9,897,597</b>	₱6,951,669

Future minimum lease payments on lease liabilities follows:

	2022	2021
Within one year	<b>₱3,242,674</b>	₱2,774,297
After one year but not more than five years	<b>674,939</b>	2,965,760
	<b>₱3,917,613</b>	₱5,740,057

## 18. Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments comprise of cash in banks, trade and other receivables, refundable deposit (included under "Other current assets" account) and trade and other payables (excluding payable to government agencies and unearned income) which arise directly from its operations.

### **Financial Risk**

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. Financial risks are managed under policies approved and monitored by the BOD.

This note presents information about the Company's exposure to each of the foregoing risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout the financial statements.

The BOD has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company transacts only with recognized and creditworthy related and third parties with whom it has already firmly established good business relationships.

The Company's maximum exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, without taking account of the value of any collateral obtained:

	2022	2021
Financial assets at amortized cost:		
Cash in banks	<b>₱182,295,230</b>	₱129,207,828
Trade and other receivables*	<b>147,396,908</b>	113,692,688
Refundable deposits (included under "Other current assets" account)	<b>4,129,967</b>	3,007,355
	<b>₱333,822,105</b>	<b>₱245,907,871</b>

\*Excluding advances to contractors amounting to nil as at December 31, 2022 and 2021 and net of allowance for impairment losses on receivables amounting to ₱2.3 million and ₱1.4 million as at December 31, 2022 and 2021, respectively.

The Company's financial assets at amortized cost are mostly composed of cash in various banks, trade and other receivables and refundable deposits. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the banking industry, and transacting only with recognized and credit-worthy counterparties.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

	December 31, 2022			Total
	12-month ECL	Lifetime ECL - not impaired	Lifetime ECL - credit impaired	
Financial assets at amortized cost:				
Cash in banks	<b>₱182,295,230</b>	<b>₱—</b>	<b>₱—</b>	<b>₱182,295,230</b>
Trade and other receivables	—	<b>147,396,908</b>	<b>2,321,988</b>	<b>149,718,896</b>
Refundable deposits (included under "Other current assets" account)	<b>4,129,967</b>	—	—	<b>4,129,967</b>
	<b>₱186,425,197</b>	<b>₱147,396,908</b>	<b>₱2,321,988</b>	<b>₱336,144,093</b>

	December 31, 2021			Total
	12-month ECL	Lifetime ECL - not impaired	Lifetime ECL - credit impaired	
Financial assets at amortized cost:				
Cash in banks	₱129,207,828	<b>₱—</b>	<b>₱—</b>	₱129,207,828
Trade and other receivables	—	113,692,688	1,381,427	115,074,115
Refundable deposits (included under "Other current assets" account)	3,007,355	—	—	3,007,355
	<b>₱132,215,183</b>	<b>₱113,692,688</b>	<b>₱1,381,427</b>	<b>₱247,289,298</b>

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

Cash in banks are considered to have low credit risk investments because the Company transacted with banks that have good credit rating and low probability of insolvency.

Trade and other receivables also have low credit risk, since the Company only transacted with reputable companies with respect to these financial assets.

Refundable deposit is of low credit risk, since this is deposited to a company with low probability of insolvency.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions in the industry; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The credit quality of financial assets is being managed by the Company using internal credit ratings. Credit quality of the financial assets were determined as follows:

*High Grade.* It pertains to accounts with a very low probability of default as demonstrated by the borrower's long history of stability, profitability and diversity. It includes deposits to reputable banks and companies with good credit standing. High grade financial assets include cash in banks and refundable deposit.

*Standard Grade.* It pertains to financial assets from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Company's view of forward-looking information over the expected lives of the financial assets. Standard grade financial assets include trade and other receivables.

*Substandard Grade.* It pertains to accounts with history of default and include financial assets that are collected on their due dates provided that the Company made a persistent effort to collect them.

The aging analysis and credit quality of the Company's financial assets at amortized cost are as follows:

	2022						
	Neither Past Due nor Impaired			Past Due but Not Impaired			Total
	High Grade	Standard Grade	Substandard Grade	91-180 Days	More than 180 Days	Impaired	
Cash in banks	₱182,295,230	₱-	₱-	₱-	₱-	₱-	₱182,295,230
Trade and other receivables	-	147,396,908	-	-	-	2,321,988	149,718,896
Refundable deposits (included under "Other current assets" account)	4,129,967	-	-	-	-	-	4,129,967
	₱186,425,197	₱147,396,908	₱-	₱-	₱-	₱2,321,988	₱336,144,093

	2021						
	Neither Past Due nor Impaired			Past Due but Not Impaired			Total
	High Grade	Standard Grade	Substandard Grade	91-180 Days	More than 180 Days	Impaired	
Cash in banks	₱129,207,828	₱-	₱-	₱-	₱-	₱-	₱129,207,828
Trade and other receivables	-	113,692,688	-	-	-	1,381,427	115,074,115
Refundable deposits (included under "Other current assets" account)	3,007,355	-	-	-	-	-	3,007,355
	₱132,215,183	₱113,692,688	₱-	₱-	₱-	₱1,381,427	₱247,289,298

**Liquidity Risk.** Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet maturing obligations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds. The Company manages its liquid funds through cash planning, using historical figures and experiences as well as reasonable forecasts for its collections and disbursements.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2022 and 2021 based on undiscounted payments:

	2022					Total
	On Demand	Less than One Year	One to Two Years	Two to Four Years	More than Five Years	
Trade and other payables*	₱123,879,067	₱-	₱-	₱-	₱-	₱123,879,067
Lease liabilities**	-	3,313,350	701,528	-	-	4,014,878
	₱123,879,067	₱3,313,350	₱701,528	₱-	₱-	₱127,893,945

	2021					Total
	On Demand	Less than One Year	One to Two Years	Two to Four Years	More than Five Years	
Trade and other payables*	₱100,156,185	₱-	₱-	₱-	₱-	₱100,156,185
Lease liabilities**	-	2,865,372	3,008,652	-	-	5,874,024
	₱100,156,185	₱2,865,372	₱3,008,652	₱-	₱-	₱106,030,209

\*Excluding payable to government agencies amounting to ₱16.4 million and ₱6.1 million as at December 31, 2022 and 2021, respectively and unearned income amounting to ₱4.3 million and ₱4.4 million as at December 31, 2022 and 2021, respectively.

\*\*Including future interest payments amounting to ₱0.1 million in 2022 and 2021, respectively.

### **Capital Management**

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements. The Company manages its capital structure and makes adjustments whenever there are changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

On October 19, 2018, the IC issued Circular Letter (the CL) No. 2018-52 which discusses the minimum requirements for insurance brokers or reinsurance brokers as summarized below.

**Minimum Net Worth Requirements.** The Company is subject to externally imposed minimum net worth requirements as follows:

<b>New entrant as an insurance broker or reinsurance broker</b>	<b>₱20,000,000</b>
New entrant as an insurance broker and reinsurance broker	50,000,000
Existing insurance or reinsurance broker	10,000,000
Existing insurance and reinsurance broker	25,000,000

The Company's estimated net worth follows:

	2022 (Estimate)	2021 (Actual)
Capital stock	<b>₱95,000,000</b>	₱95,000,000
Retained earnings	<b>111,140,872</b>	68,969,425
Other comprehensive income	<b>4,785,385</b>	5,639,588
Total equity	<b>210,926,257</b>	169,609,013
Less: Non-admitted assets	<b>10,081,994</b>	22,383,867
Net worth	<b>200,844,263</b>	147,225,146
Less: Net worth requirements	<b>20,000,000</b>	20,000,000
	<b>₱180,844,263</b>	₱127,225,146

Advances to stockholders, prepayments, deferred input VAT, leasehold improvement, office equipment, net retirement plan asset and deferred tax asset are generally non-admitted assets.

As at December 31, 2022 and 2021, the Company's estimated and actual net worth, respectively, is in compliance with the minimum net worth requirements of the IC.

*Required Bond for Insurance Brokers.* Pursuant to Republic Act No. 10607 enacted on August 15, 2013, every applicant for insurance broker's license shall file with the IC and shall thereafter maintain in force while so licensed, a bond in favor of the People of the Republic of the Philippines executed by a Company authorized to become surety upon official recognizances, stipulations, bonds and undertakings. The bond shall be in such amount as may be fixed by the Commissioner but in no case less than ₱500,000 and shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under license.

The IC, in the CL, has set the bond requirements for insurance brokers. Every application for issuance of new or renewal of broker's license, except reinsurance broker, shall be accompanied by a bond in the amount of not less than ₱1.0 million in favor of the People of the Republic of the Philippines.

As at December 31, 2022, the Company is in compliance with the required bond for insurance brokers.

*Required Errors and Omissions Policies.* Insurance brokers or reinsurance brokers must file two Errors and Omissions (Professional Liability or Professional Indemnity) insurance policies issued separately by two insurance companies authorized to do business in the Philippines.

As at December 31, 2022, the Company is in compliance with the required errors and omissions policies.

No changes were made in the objectives, policies and processes in 2022 and 2021.

## 19. Fair Value Measurement

The following is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are reflected in the financial statements:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash in banks	₱182,295,230	₱182,295,230	₱129,207,828	₱129,207,828
Trade and other receivables*	147,396,908	147,396,908	113,692,688	113,692,688
Refundable deposits (included under "Other current assets" account)	4,129,967	4,129,967	3,007,355	3,007,355
	₱333,822,105	₱333,822,105	₱245,907,871	₱245,907,871
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables**	₱123,879,067	₱123,879,067	₱100,156,185	₱100,156,185

\*Excluding allowance for impairment losses on receivables amounting to ₱2.3 million and ₱1.4 million as at December 31, 2022 and 2021, respectively.

\*\*Excluding payable to government agencies amounting to ₱16.4 million and ₱6.1 million as at December 31, 2022 and 2021, respectively and unearned income amounting to ₱4.3 million and ₱4.4 million as at December 31, 2022 and 2021, respectively.

\*\*\*Excluding future interest payments amounting to ₱0.1 million as at December 31, 2022 and 2021.

*Financial assets and liabilities at amortized cost.* The carrying amounts of cash, trade and other receivables, refundable deposits (included under "Other current assets" account) and trade and other payables (excluding payable to government agencies and unearned income) approximate its fair values due to their short-term maturities.

*Lease Liabilities.* Fair value is generally based upon quoted market prices. If the market prices are not readily available, fair value is estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. As at December 31, 2021, the discount rate used in determining the fair value of lease liabilities is 2.08%. Lease liabilities is measured using level 2 valuation technique.

### **Fair Value Hierarchy**

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Cebuana Lhuillier Insurance Brokers, Inc.  
1133 Chino Roces corner Metropolitan Avenues  
Barangay San Antonio  
Makati City 1203

We have audited the accompanying financial statements of Cebuana Lhuillier Insurance Brokers, Inc. (the Company) as at December 31, 2022 and 2021 and for the years then ended December 31, 2022 and 2021, on which we have rendered our report dated March 20, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has four stockholders owning 100 or more shares each.

**REYES TACANDONG & Co.**



PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 128829-SEC Group A

Issued March 23, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

Valid until January 24, 2026

PTR No. 9564568

Issued January 3, 2023, Makati City

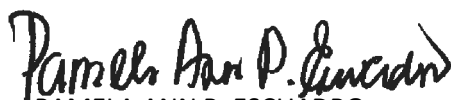
March 20, 2023  
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES OF FINANCIAL SOUNDNESS INDICATORS FOR FILING WITH THE  
INSURANCE COMMISSION**

The Stockholders and the Board of Directors  
Cebuana Lhuillier Insurance Brokers, Inc.  
1133 Chino Roces corner Metropolitan Avenues  
Barangay San Antonio  
Makati City 1203

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Cebuana Lhuillier Insurance Brokers, Inc. (the Company), for the year ended December 31, 2022 and have issued our report thereon dated March 20, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Financial Soundness Indicators Under The Revised Securities Regulations Code Rule 68 for the year ended December 31, 2022, which is an attachment to the statement of business operations, is the responsibility of the Company's management. This schedule, which is not part of the basic financial statements, is presented for the purpose of complying with the annual reportorial requirements of the Insurance Commission. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**



PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 128829-SEC Group A

Issued March 23, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

Valid until January 24, 2026

PTR No. 9564568

Issued January 3, 2023, Makati City

March 20, 2023  
Makati City, Metro Manila

**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**

**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS  
UNDER THE REVISED SECURITIES REGULATION CODE RULE 68  
AS AT DECEMBER 31, 2022**


<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>2021</b>
<b>Current ratio/Acid test ratio</b>	Current assets / Current liabilities	<b>2.28</b>	2.24
Current assets		<b>₱336,567,538</b>	₱254,404,466
Current liabilities		<b>147,892,224</b>	113,382,231
<b>Solvency ratio</b>	After-tax profit before depreciation / Total liabilities	<b>0.32</b>	0.58
After-tax profit before depreciation		<b>48,226,374</b>	67,921,106
Total liabilities		<b>148,567,163</b>	116,495,419
<b>Debt-to-equity ratio</b>	Total liabilities / Total equity	<b>0.70</b>	0.69
Total liabilities		<b>148,567,163</b>	116,495,419
Total equity		<b>210,926,257</b>	169,609,013
<b>Asset-to-equity ratio</b>	Total assets / Total equity	<b>1.70</b>	1.69
Total assets		<b>359,493,420</b>	286,104,432
Total equity		<b>210,926,257</b>	169,609,013
<b>Interest rate coverage ratio</b>	Before-tax and interest expense profit / Interest payments	<b>449.01</b>	486.82
Before-tax and interest expense profit		<b>57,071,638</b>	82,708,301
Interest payments		<b>127,088</b>	169,896
<b>Return on assets ratio</b>	After-tax profit / Average total assets	<b>0.13</b>	0.23
After-tax profit		<b>42,171,447</b>	63,703,102
Average total assets		<b>322,798,926</b>	280,063,450
<b>Return on equity ratio</b>	After-tax profit / Total equity	<b>0.20</b>	0.38
After-tax profit		<b>42,171,447</b>	63,703,102
Total equity		<b>210,926,257</b>	169,609,013
<b>Net profit margin</b>	After-tax profit / Total revenues	<b>0.13</b>	0.19
After-tax profit		<b>42,171,447</b>	63,703,102
Total revenues		<b>335,883,515</b>	343,195,760

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULE OF  
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors  
Cebuana Lhuillier Insurance Brokers, Inc.  
1133 Chino Roces corner Metropolitan Avenues  
Barangay San Antonio  
Makati City 1203

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Cebuana Lhuillier Insurance Brokers, Inc. (the Company), as at and for the year ended December 31, 2022 and have issued our report thereon dated March 20, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2022 is the responsibility of the Company's management. The supplementary schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**



PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

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Valid until January 24, 2026

PTR No. 9564568

Issued January 3, 2023, Makati City

March 20, 2023  
Makati City, Metro Manila

**CEBUANA LHUILLIER INSURANCE BROKERS, INC.**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**December 31, 2022**

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Retained earnings, at beginning of year	₱68,969,425
Adjustment for gross deferred tax asset as at December 31, 2021	1,732,435
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Retained earnings, as adjusted to amount available for dividend declaration, at beginning of year	70,701,860
Net income during the year	42,171,447
Movement in gross deferred tax asset	253,766
Retained earnings available for dividend declaration, at end of year	₱113,127,073
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Reconciliation:

Unappropriated retained earnings at end of year	₱111,140,872
Adjustment for gross deferred tax asset at end of year	1,986,201
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Unappropriated retained earnings available for dividend declaration at end of year	₱113,127,073
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