



# SECURITIES AND EXCHANGE COMMISSION

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The following document has been received:

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## Company Information

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**SEC Registration No.:** A199902747

**Company Name:** EAB INSURANCE BROKERS, INC.

**Industry Classification:** J68200

**Company Type:** Stock Corporation

## Document Information

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**Document Type:** Financial Statement

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**Period Covered:** December 31, 2023

**Submission Type:** Annual

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



# F C Godinez Accounting Services

**EAB INSURANCE BROKERS, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022**

**AND**

**REPORT OF INDEPENDENT AUDITOR**

**(IN PHILIPINE PESO)**

**C O N T E N T S:**

**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS**

**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR INCOME TAX RETURN**

**REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY INCOME TAX RETURN**

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FILING WITH THE INSURANCE COMMISSION (With Attachment)**

**SUPPLEMENTAL REPORT OF INDEPENDENT AUDITOR**

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**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

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**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of **EAB Insurance Brokers, Inc.** is responsible for the preparation and fair presentation of the financial statements including schedules attached therein for the year ended December 31, 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 financial ability to continue as a 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.

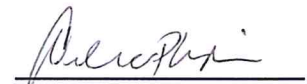
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

**Francisca C. Godinez, CPA, MBA**, the independent auditor, appointed by the board of directors, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

  
**EDUARDO A. BUENDIA**  
Chairman of the Board  
& President

  
**ANGELO P. BUENDIA**  
Corporate Secretary

  
**DELICIA P. BUENDIA**  
Treasurer

April 4, 2024  
Makati City




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**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

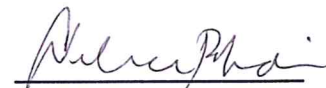
The management of **EAB Insurance Brokers, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all the information and representations contained in the financial statements accompanying the Annual Income tax Return Information Sheet covering the same reporting period. Furthermore, the management is responsible for all the information and representations contained in all other tax returns filed for the reporting period, including, but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Returns are in accordance with the books and records of **EAB Insurance Brokers, Inc.** complete and correct in all material respects. Management likewise affirms that:

- a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No.8-2007 and other relevant issuances;
- c. **EAB Insurance Brokers, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**EDUARDO A. BUENDIA**  
Chairman of the Board  
& President

  
**ANGELO P. BUENDIA**  
Corporate Secretary

  
**DELICIA P. BUENDIA**  
Treasurer

April 4, 2024  
Makati City



# F C Godinez Accounting Services

## REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY INCOME TAX RETURN

F C Godinez Accounting Services  
Lot 2, Blk 6, St. Lukes Street, Sto. Nino Village,  
Tunasan, Muntinlupa City  
Phone (632) 861-8603  
Email: fressie\_godinez@yahoo.com  
www.alasoplasalliancefirms.com




The Board of Directors and Stockholders  
EAB INSURANCE BROKERS, INC.  
4<sup>th</sup> Flr. CJV Bldg., 108 Aguirre st. Legaspi Village  
Makati City

I have examined the financial statements **EAB Insurance Brokers, Inc.** for the years ended December 31, 2023 and 2022 on which I have rendered the attached report dated April 04, 2024.

In compliance with Revenue Regulation V-20, I am stating that I am not related by consanguinity or affinity to the president, manager or stockholders of the company.

### F C GODINEZ ACCOUNTING SERVICES

  
Francisca C. Godinez CPA, MBA  
CPA Reg. No. 0041278  
PRC ID Valid until December 03, 2025  
TIN 116-256-845-000  
PTR no. MUN 10521667 January 03, 2024, Muntinlupa City  
BIR AN 08-003576-001-2022 valid until February 24, 2025  
BOA Cert. No. 0779 valid until December 03, 2025  
CDA Accreditation no. CEA 0003- Renewal valid until April 25, 2026  
SEC Accreditation no. 41278-IC for Category B valid for audit year 2021 to 2025



April 04, 2024  
Muntinlupa City

# F C Godinez Accounting Services

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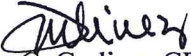


## REPORT OF THE INDEPENDENT AUDITOR TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE INSURANCE COMMISSION

The Board of Directors and Stockholders  
EAB Insurance Brokers, Inc.  
4<sup>TH</sup> Floor CJV Bldg., 108 Aguirre st., Legaspi Village  
Makati City

We have audited in accordance with the Philippine Standards in auditing the financial statements of EAB INSURANCE BROKERS, INC. as at and for the year ended December 31, 2023. Our audit was made for the purpose of forming an opinion on the financial statements of the Company taken as a whole. The minimum information attached is the responsibility of the Company's management and is presented for the purposes of complying with the Insurance Commission Circular letter No. 2021-65 and is not a requirement as part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the Company's financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

### F C GODINEZ ACCOUNTING SERVICES

  
Francisca C. Godinez CPA, MBA  
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TIN 116-256-845-000  
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April 04, 2024  
Muntinlupa City

**EAB INSURANCE BROKERS INC.**

**ATTACHEMENT TO THE SUPPLEMENTARY OPINION**

CLIENTS MONEY

As at December 31, 2023 the Company's clients money amounts to **Php 1,611,854**. The Company's clients money is included in the Cash in Bank balance in the audited financial statements. The Company's personnel maintains a separate file to monitor the movement of the client's money account.

NET WORTH COMPLIANCE

The Company is required to comply with the minimum requirement for an Insurance and HMO Broker amounting to Php25,000,000 per IC Circular Letter no. 2023-02

As at December 31, 2023, the Company's net worth is compliant with the minimum net worth requirement set forth by the Insurance Commission.



# F C Godinez Accounting Services

## SUPPLEMENTAL STATEMENTS OF INDEPENDENT AUDITOR

The Board of Directors and Stockholders  
EAB INSURANCE BROKERS, INC.  
4<sup>th</sup> Flr. CJV Bldg., 108 Aguirre st. Legaspi Village  
Makati City


F C Godinez Accounting Services  
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[www.alasoplasalliancefirms.com](http://www.alasoplasalliancefirms.com)



I have examined the financial statements of **EAB Insurance Brokers, Inc.** for the years ended December 31, 2023 and 2022, on which I have rendered the attached report dated April 04 2024.

In compliance with Securities Regulation Code Rule 68, I have performed audit procedures to determine the total number of stockholders of the Company owning 100 or more shares each. I was able to obtain a certification from the Company's Corporate Secretary indicating that the Company has a total number of five (5) stockholders owning one hundred (100) or more shares as of December 31, 2023.

## F C GODINEZ ACCOUNTING SERVICES

  
Francisca C. Godinez CPA, MBA  
CPA Reg. No. 0041278  
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TIN 116-256-845-000  
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April 04, 2024  
Muntinlupa City

# F C Godinez Accounting Services

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
**EAB INSURANCE BROKERS, INC.**  
4<sup>th</sup> Flr. CJV Bldg., 108 Aguirre st. Legaspi Village  
Makati City

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Member of  
 **Alas Oplas Alliance Firms**  
credibility and honor defined.

## Report on the Audit of the Financial Statements

### Opinion

I have audited the financial statements of **EAB Insurance Brokers, Inc.** which comprise the statements of financial position as at December 31, 2023 and 2022, the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am 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 my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

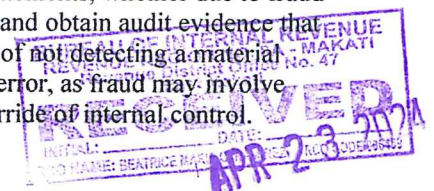
Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.



# F C Godinez Accounting Services


- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

## Report on Other Legal and Regulatory Requirements

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

## F C GODINEZ ACCOUNTING SERVICES

  
Francisca C. Godinez CPA, MBA  
CPA Reg. No. 0041278  
PRC ID Valid until December 03, 2025  
TIN 116-256-845-000  
PTR no. MUN 10521667 January 03, 2024, Muntinlupa City  
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April 04, 2024  
Muntinlupa City

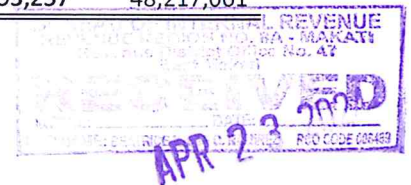
**EAB INSURANCE BROKERS, INC.****STATEMENTS OF FINANCIAL POSITION**

December 31, 2023 and 2022

(In Philippine Peso)

	Notes	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,810,399	1,620,726
Receivable from Insurance Companies' Clients	6	29,542,137	26,722,206
Commission Receivables	7	4,928,697	4,633,963
Other Receivables	8	3,977,081	1,857,476
Other Current Assets	9	17,368,659	11,502,297
<b>Total</b>		<b>58,626,973</b>	<b>46,336,668</b>
<b>NonCurrent Assets</b>			
Property and Equipment, Net	10	1,466,284	1,880,393
<b>Total</b>		<b>1,466,284</b>	<b>1,880,393</b>
<b>TOTAL ASSETS</b>		<b>60,093,257</b>	<b>48,217,061</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Payable to Insurance Companies	12	31,153,991	27,479,656
Other Payables	13	198,613	154,654
<b>Total</b>		<b>31,352,604</b>	<b>27,634,310</b>
<b>EQUITY</b>			
Share Capital	14	10,000,000	2,500,000
Additional Paid In Capital	14	4,178,000	4,178,000
Retained Earnings/(Deficit)	14	1,100,253	442,351
Contingency Surplus	14	13,462,400	13,462,400
<b>Total</b>		<b>28,740,653</b>	<b>20,582,751</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>60,093,257</b>	<b>48,217,061</b>

See accompanying Notes to Financial Statements



**EAB INSURANCE BROKERS, INC.****STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2023 and 2022

(In Philippine Peso)

	Notes	2023	2022
COMMISSION INCOME	7	6,884,868	5,957,558
COST OF SERVICES	16	(4,279,833)	(4,012,528)
<b>GROSS INCOME</b>		<b>2,605,035</b>	<b>1,945,030</b>
ADMINISTRATIVE EXPENSES	17	(1,785,396)	(1,336,101)
<b>GROSS INCOME FROM OPERATIONS</b>		<b>819,639</b>	<b>608,929</b>
Interest Income		2,191	1,429
<b>INCOME BEFORE INCOME TAX</b>		<b>821,830</b>	<b>610,358</b>
PROVISION FOR INCOME TAX	18	(163,928)	(121,786)
<b>NET INCOME FOR THE YEAR</b>		<b>657,902</b>	<b>488,572</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>657,902</b>	<b>488,572</b>

*See accompanying Notes to Financial Statements*

**EAB INSURANCE BROKERS, INC.****STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2023 and 2022

(In Philippine Peso)

	Share Capital (Note 14)	Additional Paid In Capital (Note 14)	Contingency Surplus (Note 14)	Retained Earnings (Deficit) (Note 14)	TOTAL
Balance at December 31, 2022	2,500,000	4,178,000	13,462,400	442,351	20,582,751
Additional capital	7,500,000				7,500,000
Share premium					-
Net Income during the year				657,902	657,902
<b>Balance at December 31, 2023</b>	<b>10,000,000</b>	<b>4,178,000</b>	<b>13,462,400</b>	<b>1,100,253</b>	<b>28,740,653</b>
Balance at December 31, 2021	2,500,000	4,178,000	5,384,400	(46,221)	12,016,179
Additional contribution			8,078,000		8,078,000
Share premium					-
Net Income during the year				488,572	488,572
Balance at December 31, 2022	2,500,000	4,178,000	13,462,400	442,351	20,582,751

See accompanying Notes to Financial Statements



**EAB INSURANCE BROKERS, INC.****STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2023 and 2022

(In Philippine Peso)

	Notes	2023	2022
<b>CASH INFLOWS FROM OPERATING ACTIVITIES</b>			
Net Income before income tax		821,830	610,358
Adjustments for:			
Depreciation	10	432,709	337,400
Interest received		2,191	(1,429)
Operating income before working capital changes		1,256,730	946,329
Decrease (increase) in:			
Receivables from Insurance Companies' Clients	6	(2,819,931)	(7,224,630)
Commission Receivables	7	(294,734)	(652,727)
Other Receivables	8	(2,119,605)	(694,102)
Other Current Assets	9	(5,866,362)	(6,992,945)
Increase (decrease) in:			
Payable to Insurance Companies	12	3,674,335	7,716,894
Other Payables	13	43,959	86,156
Cash used in operation		(6,125,608)	(6,815,025)
Interest received		(2,191)	1,429
Income taxes paid	18	(163,928)	(121,786)
Net cash used in operating activities		(6,291,727)	(6,935,382)
<b>CASH USED IN INVESTING ACTIVITIES</b>			
Net additions to property & equipment	10	(18,600)	(950,000)
Net cash used in investing activities		(18,600)	(950,000)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Additional Capital		7,500,000	8,078,000
Net Cash Flow From Financing Activity		7,500,000	8,078,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,189,673	192,618
CASH AND CASH EQUIVALENTS, BEG. OF YEAR	5	1,620,726	1,428,108
CASH AND CASH EQUIVALENTS, END OF YEAR	5	2,810,399	1,620,726

See accompanying Notes to Financial Statements



## **EAB INSURANCE BROKERS, INC.**

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### **NOTES TO FINANCIAL STATEMENTS**

As of and for the years ended December 31, 2023 and 2022

(All amounts in Philippine Peso unless otherwise stated)

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#### **1. CORPORATE INFORMATION**

EAB INSURANCE BROKERS, INC. (the Company), was organized primarily to engage in the business of insurance broking.

The Company was registered with the Philippines Securities and Exchange Commission (SEC) on February 19, 1999 per SEC Reg. No. A199902747.

The company was granted an insurance broker's license by the Insurance Commission (IC) in 2000, the same year that the Company started its commercial operations. It has a valid license as insurance broker until December 31, 2024.

The principal place of business of the Company is located at 4<sup>TH</sup> Floor, CJV Building, 108 Aguirre Street, Legaspi Village, Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on April 4, 2024.

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

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The accounting policies have been consistently applied to all the years presented, except when otherwise indicated.

##### **Basis of Preparation of Financial Statements**

###### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

###### ***(b) Presentation of Financial Statements***

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements.

##### **Functional and Presentation Currency**

The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency and recorded to the nearest peso.

## Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021.

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

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

Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021* The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

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

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

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR):

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

The Company shall also disclose information about:

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

### **Foreign Currency Translation**

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

### **Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents (including those under "Assets held to cover unit-linked liabilities") are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

### **Trade Receivables**

Trade receivables are recognized when due and measured on initial recognition at the fair value of the consideration received. The carrying value of trade receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Trade receivables are derecognized following the de-recognition criteria of financial assets.

### **Financial Instruments**

#### *Date of recognition*

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

#### *Initial recognition*

Financial instruments are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL,

AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

#### *Determination of fair value*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models.

Any difference noted between the fair value and the transaction price is recognized in profit or loss, unless it qualifies for recognition as some type of asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- *In the principal market for the asset or liability, or*
- *In the absence of a principal market, in the most advantageous market for the asset or liability*

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company's investment committee determines the policies and procedures or fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the investment committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The investment committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The investment committee, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

#### *Fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

- Level 1 : quoted (unadjusted) prices in active markets for identical assets or Liabilities
- Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

*'Day 1' profit or loss*

Where the transaction price in a non-active market is different from the fair value from 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' profit or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized 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' profit or loss amount.

*Financial instruments at FVPL*

This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVPL on initial recognition.

Financial assets or financial liabilities are classified as held-for-trading if they are entered into for the purpose of short-term profit taking.

Financial assets or financial liabilities classified in this category are designated by management as at FVPL on initial recognition when any of the following criteria are met:

- *the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or*
- *the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or*
- *the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.*

The investments (debt and equity securities) of the unit-linked funds set up by the Company underlying the unit-linked insurance contracts (included under "Assets held to cover unit-linked liabilities") are designated as at FVPL since these are managed and their performance are evaluated on a fair value basis, in accordance with the investment strategy. Also, the Company designates the assets of the life insurance business that are managed under the Company's Risk Management Statement on a fair value basis, and are reported to the Board on this basis. These assets have been valued on a fair value basis with movements taken through the profit or loss.

Financial assets at FVPL are recorded in the statement of financial position at fair value, with changes in the fair value recorded in profit or loss, included under the "Fair value gains or losses from financial assets at FVPL" account.

As of December 31, 2023 and 2022, the Company has no financial liabilities classified as FVPL.

#### *Derivative financial instruments*

Derivative financial instruments (including those under "Assets held to cover unit-linked liabilities") are classified as held-for-trading unless they are designated as effective hedging instruments.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Derivative financial instruments held-for-trading are initially recorded at fair value and are typically entered into with the intention to settle in the near future. Subsequent to initial recognition, these instruments are re-measured at fair value. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in profit or loss.

#### *Embedded derivatives*

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL. Bifurcated embedded derivatives are accounted for at FVPL.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows. The Company determines whether modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract, or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

#### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or at FVPL. This accounting policy relates to the statement of financial position captions "Receivable from Insurance Companies' Clients", "Commission Receivable" and "Other Receivables".

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. 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. The amortization is included under "Investment income" account in profit or loss. The losses arising from impairment of such receivables are recognized as "Provision for impairment losses" under the "Operating and administrative expenses" caption in profit or loss.

### *AFS financial assets*

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government securities, equity investments, and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss.

Interest earned on holding AFS financial assets is reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss when the right to receive payment has been established. Interests and dividends are recognized under "Investment income" account in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in equity as "Revaluation reserve for AFS financial assets." The losses arising from impairment of such financial assets are recognized as "Provision for impairment losses" under the "Operating and administrative expenses" caption in profit or loss. When a security is disposed of, the cumulative gain or loss previously recognized as other comprehensive income is reported as "Gain or loss on sale of AFS financial assets" in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

### ***Other financial liabilities***

Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where 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 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. This includes investment contracts which mainly transfer financial risk and has no or insignificant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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. Interest expenses are charged to profit or loss as incurred. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy relates to the statement of financial position captions: (a) Payable to Insurance Companies, (b) Other payables and other current liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- *deliver cash or another financial asset to another entity, or*

- *exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.*

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.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instrument classified as equity are charged directly to liabilities and equity, net of any related income tax benefits.

#### Offsetting Arrangement

Financial assets and financial 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.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of

future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

#### *AFS financial assets carried at fair value*

For equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Investment income" account in profit or loss. If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### *AFS financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

## De-recognition of Financial Assets and Liabilities

### *Financial asset*

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

- *the right to receive cash flows from the asset have expired;*
- *the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or*
- *the Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

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

### *Financial liability*

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

## **Investment Property**

Property held for long-term rental yields or for capital appreciation, or for both, is classified as Investment property. These properties are initially measured at cost, which includes transaction cost, but excludes day-to-day servicing cost. Subsequently, at each end of the reporting period, such properties are carried at cost less accumulated depreciation and impairment in value.

Depreciation of investment property is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful life of the investment properties is 20 years.

Transfers are made to and from investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal.

Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of de-recognition.

#### **Property and Equipment**

Property and equipment, including owner occupied properties, are carried at cost less accumulated depreciation and amortization and accumulated impairment in value. Such cost includes initial transaction costs, but excludes day-to-day servicing cost. Replacement or major inspection cost is capitalized if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the related lease, whichever is shorter. The estimated useful lives of the different categories of property and equipment follow:

- |                            |              |
|----------------------------|--------------|
| ▪ Transportation Equipment | - 5-10 years |
| ▪ Office Furniture         | - 5-10 years |
| ▪ Office Equipment         | - 3-10 years |
| ▪ Leasehold Improvements   | - 3-10 years |

The assets' residual values, useful lives and depreciation and amortization method are reviewed at each reporting date and adjusted if appropriate to ensure that the period, residual value and the method of depreciation and amortization are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

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

At each reporting date, the Company assesses whether there is any indication that nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash generating unit to which the asset belongs.

Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset (or cash generating unit). An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

## **Equity**

### *Capital stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. Capital stock represents the nominal value of shares that have been issued.

### *Retained earnings (Deficit)*

Retained earnings represent accumulated gains (losses) realized out of the normal and continuous operations of the Company, less dividends declared, if any. Appropriated retained earnings pertain to funds set aside for the purchase of certain property and equipment.

## **Revenue and Cost Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

### *Commission Income*

Generally, fees and commissions are recognized when services are rendered or accrued where there is a reasonable degree of certainty as to its collectability. Commissions are accrued based on premium billings prepared upon issuance of insurance policies by the insurance companies.

### *Interest income*

Interest income on interest-bearing deposits placements is recognized based on the accrual method of accounting using the effective interest method.

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses included under "Cost of services" and "Administrative expenses" in the statement of comprehensive income are recognized as incurred.

*Taxes, operating and administrative and other expenses*

Taxes, operating and administrative and other expenses are recognized in the statement of comprehensive income as incurred.

**Income Tax**

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in equity or other comprehensive income.

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as of the reporting date.

*Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and NOLCO 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 sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are likewise recognized in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to profit or loss for the period.

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

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### **Contingencies**

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

#### **Events After the End of the Reporting Period**

Post year-end events that provide additional information about the Company's financial position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

#### **Related Parties**

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged. Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions.

This includes:

- (1) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company;*
- (2) associates; and*
- (3) 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.*

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

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### **3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the

Company's financial statements. Actual results could differ from such estimates, judgments and estimates 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.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

- ***Impairment of trade receivables***

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

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

As of December 31, 2023 and 2022, the Company has not recognized any allowance for impairment losses on trade receivables.

- ***Impairment of AFS financial assets***

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity investments.

In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

- ***Estimated useful lives of property and equipment***

The Company reviews annually the estimated useful lives of property and equipment, investment properties and intangible assets based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

▪ Transportation Equipment	- 5-10 years
▪ Office Furniture	- 5-10 years
▪ Office Equipment	- 3-10 years
▪ Leasehold Improvements	- 3-10 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

- ***Impairment of nonfinancial assets***

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

*-significant underperformance relative to expected historical or projected future operating results;*

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Property and equipment net of accumulated depreciation and impairment losses amounted to **₱1,466,284** and ₱1,880,393 as of **December 31, 2023** and 2022, respectively.

- **Revenue recognition**

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

- **Foreign Currency Transactions**

The foreign-currency-denominated transactions are recorded in their Philippine Peso equivalent based on prevailing exchange rate as of transaction date. Existing foreign currency-denominated account balances as of the balance sheet date, where applicable, are translated into Philippine Peso at the foreign exchange rate existing at said closing date. Resultant foreign exchange differentials between the recorded and the actual settlements and/or translations on the basis of the closing rate, are recognized in the income statement.

The following closing average rates of exchange have been adopted by the Company in translating foreign currency financial statements items as of and for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Philippine Peso to 1 unit of United States Dollar (US\$)	55.37	56.12

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#### 4. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

##### Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and insurance strategies to the corporate goals and specific reporting requirements.

### Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and provide to an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarized as follows:

	2023	2022
Total Liabilities (excluding Due to Insurance Companies)	198,613	154,654
Total Equity (Note 14)	28,740,653	20,582,751
<b>Debt-to-equity ratio</b>	<b>0.0069 : 1.00</b>	<b>0.0076 : 1.00</b>

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

### Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, fixed capitalization requirements and risk-based capital (RBC) requirements) to minimize the risk of default and insolvency on the part of the insurance brokers to meet the unforeseen liabilities as these arise. The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

### Capitalization Requirements for Insurance and Health & Maintenance Organization (HMO) Brokers

The Company is regulated by the Philippine Insurance Commission, On April 24, 2006, IC issued Insurance Memorandum Circular No. 1-2006 imposing the Capitalization requirements for Insurance Brokers and Reinsurance Brokers. Since the introduction of this regulation, the Company has been subject to minimum requirements of net-worth introduced gradually over a period of time. The Board of Directors, acting prudently in this respect, has appropriated retained earnings to ensure compliance with the said regulation and provide for future expansion of the company.

In 2023, IC issued Insurance Memorandum Circular No. 2023-02 requiring existing insurance brokers who wish to apply as an HMO broker must maintain a minimum net-worth of ₱25,000,000.

The Company's net worth as of **December 31, 2023** and 2022 is **₱28,740,653** and **₱20,582,751**, respectively. As of December 31, 2023, the Company's Net-worth is over the required minimum net-worth as required by the IC for insurance and HMO brokers.

#### **FIDUCIARY RATIO COMPUTATION**

The Company monitors its fiduciary ratio as required by the IC under Circular Letter No. 2021-65 issued on November 5, 2021.

Fiduciary ratio is computed by dividing the total fiduciary assets, either cash or receivables being held by an insurance broker, over the total fiduciary liabilities.

The company's fiduciary accounts are summarized as follows:

<b>FIDUCIARY ASSET ACCOUNT(S)</b>	
Clients' Money Account (Note 5)	<b>1,611,854</b>
Receivable from Insurance Companies' Clients (Note 6)	<b>29,542,137</b>
	<b>31,153,991</b>
<b>FIDUCIARY LIABILITY ACCOUNT(S)</b>	
Payable to Insurance Companies (Note 12)	<b>31,153,991</b>
	<b>31,153,991</b>
<b>FIDUCIARY RATIO</b>	<b>1.00 : 1.00</b>

#### Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below than that required to meet future policy liabilities.

#### Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages the level of credit risk it accepts through a comprehensive credit risk policy which focuses on minimizing credit risk exposures.

The credit risk policies are set as follows:

- a. *Concentration limit - The Company sets maximum exposure to an individual issuer and to a particular sector.*
- b. *Counterparty ratings - The Company reviews and recommends financial institutions that will complement over-all investment objectives and service requirements.*

Reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy is done on a regular basis.

The Company selects only domestic insurance companies with strong financial standing and excellent track records. In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer or group of issuers. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

#### *Liquidity risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing on repayment of a contractual obligation; or the insurance liabilities falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated. The Company manages liquidity by forecasting cash flow requirements. Investments are made in assets with maturities or interest payments which are matched against expected payouts of claims benefits (i.e., amount and duration of assets are matched against amount and duration of liabilities). In addition, significant outflows due to operating expenses (e.g., salaries, bonuses, IT expenditures, etc.) are scheduled based on an agreed budget timeline.

#### *Currency risk*

The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to United States (US) Dollars (US\$), where some of its products are denominated. The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled.

#### *Equity price risk*

The Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVPL and AFS financial assets.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each sector and market. Investments in derivatives are also subject to such requirements.

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## 5. CASH AND CASH EQUIVALENTS

This account consists of:

	2023	2022
Cash on Hand	20,000	20,000
Clients' Money in Banks	1,611,854	757,450
Cash in Banks	1,178,545	843,276
<b>Total</b>	<b>2,810,399</b>	<b>1,620,726</b>

Petty Cash Fund is used to defray petty expenditures of the Company subject to replenishment. Cash in Banks consists of Peso and US Dollar deposits from reputable local banks which earn interest at the prevailing bank deposit rates that ranged from 0.25% to 1.75% in 2023 and in 2022.

Clients' Money in Banks represents money received and already deposited to the current or savings accounts maintained in the bank on behalf of its client, as a result of insurance transaction. The Accounting department keeps schedules of collections to monitor and segregate client's money account.

The Company's client's money is placed in the following banks:

	2023	2022
BDO – Perea Branch (Makati)	1,298,221	406,774
EAST WEST – Aguirre Branch (Makati)	13,566	39,101
CHINA BANK – Aguirre/AIM Branch (Makati)	300,066	311,575
<b>Total</b>	<b>1,611,854</b>	<b>757,450</b>

Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the Company, and earned interest at the prevailing short-term deposit rates that ranged from 0.25% to 1.75% and 0.25% to 1.50% in 2023 and 2022, respectively.

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## 6. RECEIVABLE FROM INSURANCE COMPANIES' CLIENTS

The account represents amounts receivable for policies already issued and invoiced from policyholders/clients for payment of insurance premiums to the insurance companies.

The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

These receivables are usually due within 30-90 days and do not bear any interest. All receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regard to these receivables.

As of **December 31, 2023** and 2022, the Company's receivable balances amounted to **₱29,542,137** and ₱26,722,206, respectively.

The Company regularly reviews all of its receivables for indications of impairment. As of December 31, 2023 and 2022, the Company has not recognized any allowance for impairment losses on these receivables.

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## 7. COMMISSION RECEIVABLES

The account represents commission income earned for policies already issued and invoiced but not yet received.

The account includes commissions or brokerage fees earned but not yet received from policyholders/clients, as a result of insurance transaction. This also includes commissions earned but not yet received from insurance companies, as a result of insurance transaction. As of **December 31, 2023** and 2022, the Company's receivable balances amounted to **₱4,928,697** and **₱4,633,963**, respectively.

The Company regularly reviews all of its receivables for indications of impairment. As of December 31, 2023 and 2022, the Company has not recognized any allowance for impairment losses on these receivables.

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## 8. OTHER RECEIVABLES

This account consists of:

	2023	2022
Due from Affiliates	233,572	233,572
Advances to Officers and Employees	3,743,509	1,623,904
<b>Total</b>	<b>3,977,081</b>	<b>1,857,476</b>

Advances to Officers and Employees represents advances and salary loans of officers and staff extended by the company to be liquidated thru regular salary deductions from salaries and other payments.

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## 9. OTHER CURRENT ASSETS

This account consists of:

	2023	2022
Advances to Affiliate	12,500,00	6,800,00
Prepaid Tax	3,993,958	3,986,181
Prepaid – Others	874,701	716,116
	<b>17,368,659</b>	<b>11,502,297</b>

Prepaid Tax includes creditable withholding taxes withheld by Insurance Companies in the payment they made for all commissions received by the company. Also included here are the excess of the company's Input Vat not yet claimed against the Output VAT payable.

Lodged under Advances to Affiliate are payments made for the development of **EAB Marketplace**. EAB Marketplace is an internet based marketplace that will sell

insurance products tailor-made for prospective consumers. The app-based platform will be launched as a social-first, mobile-centric marketplace where users can browse and purchase different insurance products. The asset-light platform is integrated with logistical and payment support from other e-commerce companies. With this program, the company is ecstatic and highly anticipates a major increase in insurance sales.

## 10. PROPERTY AND EQUIPMENT

A reconciliation of the gross carrying amounts and the accumulated depreciation of property and equipment are shown below:

	2023			
	DEC 31, 2022	Additions	Disposals Reclassification	DEC 31, 2023
<b>COST:</b>				
Office Equipment	1,375,732	18,600.00	0.00	<b>1,394,332</b>
Office Furniture and Fixtures	325,355	0.00	0.00	<b>325,355</b>
Transportation Equipment	6,042,000	0.00	0.00	<b>6,042,000</b>
Leasehold Improvement	1,155,212	0.00	0.00	<b>1,155,212</b>
	<b>8,898,299</b>	<b>18,600.00</b>	<b>0.00</b>	<b>8,916,899</b>
Less				
<b>ACCUMULATED DEPRECIATION:</b>				
Office Equipment	1,375,653	310.00	0.00	<b>1,375,963</b>
Office Furniture and Fixtures	325,258	0.00	0.00	<b>325,258</b>
Transportation Equipment	4,161,797	432,399	0.00	<b>4,594,196</b>
Leasehold Improvement	1,155,198	0.00	0.00	<b>1,155,198</b>
	<b>7,017,906</b>	<b>432,709</b>	<b>0.00</b>	<b>7,450,615</b>
<b>NET CARRYING VALUE</b>	<b>1,880,393</b>	<b>(414,109)</b>		<b>1,466,284</b>

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Depreciation expenses charged to operations amounted to **₱432,709** and **₱337,400** as of **December 31, 2023** and 2022, respectively.

## 11. FINANCIAL ASSETS AND LIABILITIES

Receivable from Insurance Companies' Clients

The Company's financial assets and liabilities are summarized by measurement categories as follows:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	<b>2,810,399</b>	<b>2,810,399</b>	1,620,726	1,620,726

Receivable from insurance companies' clients	29,542,137	29,542,137	26,722,206	26,722,206
Commissions and other receivables	8,905,778	8,905,778	6,491,439	6,491,439
	<b>41,258,314</b>	<b>41,258,314</b>	<b>34,834,371</b>	<b>34,834,371</b>
	<b>2023</b>		<b>2022</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>FINANCIAL LIABILITIES</b>				
Payable to Insurance Co.	31,153,991	31,153,991	27,479,656	27,479,656
Other payables	198,613	198,613	154,654	154,654
	<b>31,352,604</b>	<b>31,352,604</b>	<b>27,634,310</b>	<b>27,634,310</b>

The carrying amounts of the above financial assets and liabilities approximate their fair values as of December 31, 2023 and 2022.

#### FIDUCIARY ACCOUNTS

The company's fiduciary accounts are summarized as follows:

<b>FIDUCIARY ASSET ACCOUNT(S)</b>	
Clients' Money Account (Note 5)	1,611,854
Receivable from Insurance Companies' Clients (Note 6)	29,542,137
	<b>31,153,991</b>
<b>FIDUCIARY LIABILITY ACCOUNT(S)</b>	
Payable to Insurance Companies (Note 12)	31,153,991
	<b>31,153,991</b>
<b>FIDUCIARY RATIO</b>	<b>1.00 : 1.00</b>

The Company monitors its fiduciary ratio as required by the IC under Circular Letter No. 2021-65 issued on November 5, 2021. Fiduciary ratio is computed by dividing the total fiduciary assets, either cash or receivables being held by an insurance broker, over the total fiduciary liabilities.

#### OFFSETTING ARRANGEMENT

Financial assets and financial 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.

## 12. PAYABLE TO INSURANCE COMPANIES

The account represents insurance premiums, for policies already issued and invoiced, payable to insurance companies which are non-interest bearing and payable on agreed terms.

As of **December 31, 2023** and 2022, the Company's payable to insurance companies account balances amounted to **₱31,153,991** and ₱27,479,656, respectively.

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### 13. OTHER PAYABLES

This account consists of:

	2023	2022
VAT Output Tax	136,448	111,249
SSS/PHealth/Pag-Ibig Payable	54,643	34,202
Withholding Tax Payable	7,522	9,203
	<b>198,613</b>	<b>154,654</b>

Lodged under the above accounts are contributions and loans payment collected from employees and payable to SSS, Philhealth, Pag-IBIG.

Also listed above are unremitted VAT dues and withholding taxes. These are remitted to government agencies one month after the reporting date.

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### 14. EQUITY

#### Capital Stock

The details of this account are as follows:

	SHARES		AMOUNT	
	2023	2022	2023	2022
Authorized Common Stock				
– P100 par value	100,000	100,000	₱10,000,000	₱10,000,000
Issue and outstanding at Dec 31,	100,000	25,000	₱10,000,000	₱2,500,000
Additional Issuance	-	-	-	-

#### Networth

The IC issued Circular Letter No. 2018-52, entitled “Guidelines on the Licensing Requirements of Insurance and/or Reinsurance Brokers” which requires, among others, to wit:

#### **Section 3. Capitalization and Net Worth Requirements**

*“Existing insurance broker or reinsurance broker must have a net worth of at least Ten Million Pesos (P10,000,000.00) while existing insurance and reinsurance brokers must have a net worth of at least Twenty Five Million Pesos (P25,000,000.00).*

*The foregoing capitalization and net worth requirements shall be without prejudice to the adoption of the risk-based capital approach and other internationally accepted forms of capital framework”*

In 2023, IC issued **Circular Letter No. 2023-02** requiring existing insurance brokers who wish to apply as an HMO broker must maintain a minimum net-worth of ₱ 25,000,000. To comply with this requirement, during the Joint Special Meeting of the stockholders and Board of Directors of the Company held on January 20, 2023,

the stockholders and Board of Directors approved the full subscription of the remaining unsubscribed common shares of stocks of the corporation amounting to Seven Million Five Hundred Thousand Pesos (₱7,500,000) consisting of Seventy Five Thousand (75,000) shares with a par value of One Hundred Peso (₱ 100) per share.

The Company's net worth as of **December 31, 2023** and 2022 is **₱28,740,653** and **₱20,582,751**, respectively. As of December 31, 2023, the Company's Net-worth is over the required minimum net-worth as required by the IC for insurance and HMO brokers.

#### **Contingency Surplus**

Balance of this account represents accumulated cash infusions made by Mr. Eduardo A. Buendia, a major stockholder of the Company, during the early years of operation of the Company to boost its capital structure. As of December 31, 2023, Mr. Buendia has already contributed a total amount of **₱5,384,400**. In 2022, both Mr. Eduardo A. Buendia and Mr. Angelo Antonio P. Buendia made additional contribution to its contingency surplus amounting to **₱8,078,000** thereby increasing the contingency surplus balance to **₱13,462,400**.

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## **15. RELATED PARTY TRANSACTIONS**

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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Note 2).

The Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability and did not present other unfavorable conditions.

#### **KEY MANAGEMENT COMPENSATION**

Key management includes the Board of Directors (executive and non-executive) and all Officers the Company. There were no fixed salaries paid to the Members of the Board of Directors during the year.

There are no agreement between the Company and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan or as provided under RA 7641, Retirement Pay Law.

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## 16. COST OF SERVICES

The following are the breakdown of direct costs and expenses from rendering of services:

	2023	2022
Salaries and Wages	2,483,000	2,455,063
Office Rental	972,600	972,600
Employees' Benefits	538,672	356,414
Communications	285,561	228,451
<b>Total</b>	<b>4,279,833</b>	<b>4,012,528</b>

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## 17. OPERATING EXPENSES

The details of operating expenses by nature are shown below:

	2023	2022
Depreciation	432,709	337,400
Light and Water	277,946	190,368
Travel- Home	201,594	187,697
Taxes & Licenses	182,511	113,833
Car Running Costs	177,019	121,163
Miscellaneous Expenses	151,957	71,515
Entertainment- Home	107,231	75,514
Stationeries & Supplies	98,519	64,073
Postage	66,881	77,615
Insurance	43,529	64,423
Professional Fees	40,000	30,000
Bank Charges	5,500	2,500
<b>Total</b>	<b>1,785,396</b>	<b>1,336,101</b>

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## 18. TAXES

### Current Taxes

The major components of tax expense for the years ended December 31 are as follows:

	2023	2022
Current tax expense:		
Regular corporate income tax (RCIT) at 20%	163,928	121,786
Minimum Corporate Income Tax (at 1.5%/1%)	39,076	19,450
Tax expense reported at Statements of Comprehensive Income	<b>163,928</b>	<b>121,786</b>

The Company is already subject to the Minimum Corporate Income Tax (MCIT) which is computed at 1.5% of gross income for 2023 as defined under the tax

regulations. The income tax liability for the taxable year ending December 31, 2023 is ₱163,928 under RCIT since it was higher than MCIT.

### **TRAIN LAW**

On December 19, 2017, the President signed Republic Act RA 10963 or Tax Reform for Acceleration and Inclusion or the TRAIN law. The TRAIN law became effective beginning January 2018.

TRAIN relatively decreases the tax on personal income, estate, and donation. However, it also increases the tax on certain passive incomes, documents (documentary stamp tax) as well as excise tax on petroleum products, minerals, automobiles, and cigarettes. It also imposes new taxes in the form of excise tax on sweetened beverages and non-essential services and removes the tax exemption of Lotto and other PCSO winnings amounting to more than ₱10,000.

### **REDUCED TAXES**

#### **Personal Income Tax**

The most popular part of the TRAIN is the reduction of personal income tax of a majority of individual taxpayers. Under TRAIN, an individual with a taxable income of ₱250,000 or less will now be exempt from income tax. Those with a taxable income of above ₱250,000 will be subject to the rate of 20% to 35% effective 2018, and 15% to 35% effective 2023. Moreover, the deductible 13th month pay and other benefits are now higher at ₱90,000.

Another innovation under TRAIN is the option of self-employed individuals and/or professionals whose gross sales or receipts do not exceed ₱3,000,000 to avail of an 8% tax on gross sales or gross receipts in excess of ₱250,000, in lieu of the graduated income tax rates. Also, some items that were previously deducted to arrive at taxable income had been removed under TRAIN. These are the personal exemption of ₱50,000, additional exemption of ₱25,000 per dependent child, and the premium for health and hospitalization insurance of ₱2,400 per year.

#### **Donor's tax**

The donor's tax rate was also amended to a single rate of 6% regardless of the relationship between the donor and the donee. However, the donation of real property is now subject to Documentary Stamp Tax of ₱15 for every ₱1,000.

#### **Value Added Tax**

There are also amendments to VAT which lessen the burden of taxpayers:

- *Increase of VAT threshold from ₱1,919,500 to ₱3,000,000*
- *Starting 2019, the sale of drugs and medicines for diabetes, high cholesterol, and hypertension will be exempt from VAT*
- *Increase of VAT exemption for lease of a residential unit from ₱12,800 to ₱15,000*
- *Association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations are now expressly VAT exempt*

## **INCREASED TAXES**

### Passive Income

TRAIN imposes higher taxes on some passive incomes, including interest income from dollar and other foreign currency deposits. There is also a significant increase in the tax on sale of shares of stocks.

### Documentary Stamp Tax

TRAIN increases the rates of Documentary Stamp Taxes (DST), DST on almost all taxable documents.

### Simplified tax compliance

The TRAIN law introduces amendments which are geared towards simpler tax compliance. Some of these amendments are:

- *The Income Tax Returns shall not be more than 4 pages.*
- *The Tax Return for final and creditable withholding taxes shall be filed quarterly instead of monthly.*
- *With regard to estate tax, several measures were adopted to simplify its computation and payment.*
- *Beginning January 1, 2023, the filing of VAT Return and payment of tax shall be done quarterly instead of monthly.*
- *The BIR is required to act on application for VAT refund within 90 days. Otherwise, the BIR official, agent or employee will be criminally liable.*
- *The Financial Statements of a taxpayer should be audited if the gross annual sales, earnings, receipts or output exceed ₱3,000,000 (up from ₱150,000).*

## **CREATE LAW**

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill was finally signed by the President on March 26, 2021 as Republic Act No. 11534. With this law, corporate income tax in the country, currently at 30%, is lowered to 25% for large corporations and 20% for small businesses.

Below are some of the provisions with retroactive effect:

### **1. Corporate income tax (CIT) rates of domestic corporations and resident foreign corporations**

Effective July 1, 2020, corporate income tax of domestic corporations shall either be 20% or 25%. The 20% rate applies to domestic corporations with a net taxable income not exceeding P5 million AND with total assets not exceeding P100 million. In computing the total assets, the value of the land where the office, plant and equipment are situated during the taxable year is to be excluded.

All other domestic corporations are subject to the 25% corporate income tax rate. Resident foreign corporations are subject to 25% income tax effective July 1, 2020.

## **2. CIT of proprietary educational institutions and hospitals**

Beginning July 1, 2020 until June 30, 2023, proprietary educational institutions and hospitals which are non-profit are subject to a tax of one per-cent (1%) on their taxable income.

## **3. CIT of non-resident foreign corporations**

Non-resident corporations are subject to income tax of 25% of their gross income from the Philippines effective July 1, 2020.

## **4. Minimum corporate income tax (MCIT)**

The MCIT for both domestic and resident foreign corporations has been decreased to 1% from July 1, 2020 until June 30, 2023.

## **5. Percentage Tax**

Percentage tax on persons exempt from value-added tax under Section 116 of the Tax Code has also been decreased to 1% from July 1, 2020 to June 30, 2023.

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## **19. DISCLOSURES REQUIRED UNDER RR 15-2010**

### **Revenue Regulations (RR) No. 15-2010**

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or mandatory requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under said RR, companies are required to disclose in addition to disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year.

Following is the required information under RR No. 15-2010 for the year ended December 31, 2023:

### **A. Value Added Tax**

<b>1. Output VAT</b>	332,222
Basic of Output VAT:	
VATable Sales/Receipts	2,768,518
<hr/>	
<b>2. VAT Input</b>	
Beginning balance of the year	78,309
Current year's domestic purchases:	
a. Goods other than capital goods	-
b. Services lodged under other accounts	178,218
c. Payments during the year	(173,030)
Balance at the end of the year	83,497

## B. Withholding Taxes

Tax on compensation and benefits	34,925
Expanded withholding taxes	50,630
Total	<b>85,555</b>

## C. All Other Taxes

Other taxes paid during the year recognized under "Taxes and Licenses" account in the Statement of Comprehensive Income

### BREAKDOWN:

a. Business permits and licenses	97,011
b. IC License (Direct and HMO)	60,000
c. IC Supervision Fee (Direct)	25,000
d. BIR annual registration fee	500
Total	<b>182,511</b>

### Tax Assessments and Cases

As of December 31, 2023, the Company has no deficiency tax assessments, whether protested or not. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

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## 20. OTHER MATTERS

Certain accounts in prior year's financial statements have been reclassified to conform with the current year's presentation.

