

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Alsons Insurance Brokers Corporation
Suite 8302, Plaza de Luisa Complex
R. Magsaysay Avenue, Davao City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alsons Insurance Brokers Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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



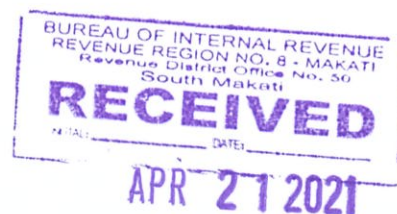
Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Alsons Insurance Brokers Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dyole S. Garcia
Dyole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1768-A (Group A),

September 3, 2019, valid until September 2, 2022

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2018,

October 18, 2018, valid until October 17, 2021

PTR No. 8534301, January 4, 2021, Makati City

April 15, 2021



ALSONS INSURANCE BROKERS CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱33,112,047	₱42,283,786
Trade and other receivables (Notes 6 and 12)	2,292,366	1,419,079
Prepayments	225,885	195,075
Total Current Assets	35,630,298	43,897,940
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 7 and 12)	67,079,813	59,681,304
Property and equipment (Note 8)	1,027,858	1,182,144
Computer Software (Note 9)	292,262	379,941
Deferred tax assets - net (Note 18)	778,093	200,811
Other noncurrent assets	260,903	260,903
Total Noncurrent Assets	69,438,929	61,705,103
TOTAL ASSETS	₱105,069,227	₱105,603,043
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 12)	₱47,967,404	₱50,977,270
Income tax payable	1,150,235	53,529
Total Current Liabilities	49,117,639	51,030,799
Noncurrent Liabilities		
Net pension liability (Note 17)	2,167,620	1,177,211
Provisions (Note 11)	877,689	1,228,471
Total Noncurrent Liabilities	3,045,309	2,405,682
Total Liabilities	52,162,948	53,436,481
Equity		
Capital stock (Note 13)	47,827,300	47,827,300
Treasury stock (Note 13)	(4,200)	(4,200)
Accumulated remeasurement gain on defined benefit obligation (Note 17)	1,226,417	1,546,452
Reserve on fluctuation on financial assets at fair value through other comprehensive income (Note 7)	(351,656)	(7,750,165)
Retained earnings (Note 13)	4,208,418	10,547,175
Total Equity	52,906,279	52,166,562
TOTAL LIABILITIES AND EQUITY	₱105,069,227	₱105,603,043

See accompanying Notes to Financial Statements.



ALSONS INSURANCE BROKERS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Commission income (Note 14)	₱50,526,273	₱41,906,199
Other income (Note 14)	—	93,314
	50,526,273	41,999,513
COSTS AND EXPENSES		
Direct costs (Note 15)	17,977,866	15,625,281
General and administrative expenses (Note 16)	11,499,514	11,093,594
	29,477,380	26,718,875
OTHER INCOME (EXPENSES)		
Foreign exchange loss - net	(1,834,464)	(899,976)
Dividend income	986,468	887,821
Interest income (Note 5)	56,631	398,466
	(791,365)	386,311
INCOME BEFORE INCOME TAX	20,257,528	15,666,949
PROVISION FOR INCOME TAX - net (Note 18)	5,775,655	4,400,044
NET INCOME	14,481,873	11,266,905
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that will not be recycled to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income (Note 7)	7,398,509	(3,452,638)
Remeasurement loss on defined benefit obligation (Note 17)	(457,193)	(250,137)
Tax effect (Note 18)	137,158	75,041
	7,078,474	(3,627,734)
TOTAL COMPREHENSIVE INCOME	₱21,560,347	₱7,639,171

See accompanying Notes to Financial Statements.



ALSONS INSURANCE BROKERS CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Note 13)	Treasury Stock (Note 13)	Accumulated Remeasurement Gain on Defined Benefit Obligation (Note 17)	Revaluation Reserve on Fluctuation on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Retained Earnings (Note 13)	Total
As at January 1, 2020	₱47,827,300	(₱4,200)	₱1,546,452	(₱7,750,165)	₱10,547,175	₱52,166,562
Net income	—	—	—	—	14,481,873	14,481,873
Other comprehensive income (loss)	—	—	(320,035)	7,398,509	—	7,078,474
Total comprehensive income (loss)	—	—	(320,035)	7,398,509	—	21,560,347
Dividends declared (Note 13)	—	—	—	—	14,481,873	(20,820,630)
As at December 31, 2020	₱47,827,300	(₱4,200)	₱1,226,417	(₱351,656)	₱4,208,418	₱52,906,279
As at January 1, 2019	₱47,827,300	(₱4,200)	₱1,721,548	(₱4,297,527)	₱14,895,741	₱60,142,862
Net income	—	—	—	—	11,266,905	11,266,905
Other comprehensive loss	—	—	(175,096)	(3,452,638)	—	(3,627,734)
Total comprehensive income (loss)	—	—	(175,096)	(3,452,638)	—	7,639,171
Dividends declared (Note 13)	—	—	—	—	(15,615,471)	(15,615,471)
As at December 31, 2019	₱47,827,300	(₱4,200)	₱1,546,452	(₱7,750,165)	₱10,547,175	₱52,166,562

See accompanying Notes to Financial Statements.



ALSONS INSURANCE BROKERS CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱20,257,528	₱15,666,949
Adjustments for:		
Dividend income	(986,468)	(887,821)
Unrealized foreign exchange loss	816,865	916,765
Net movement in pension liability (Note 17)	533,216	408,839
Depreciation and amortization (Note 8 and Note 9)	529,424	353,221
Interest income (Note 5)	(56,631)	(398,466)
Operating income before working capital changes	21,093,934	16,059,487
Decrease (increase) in:		
Trade and other receivables	(873,287)	236,581
Other current assets	(30,810)	9,902
Increase (decrease) in:		
Trade and other payables	(3,009,866)	19,415,136
Provisions	(350,782)	(213,718)
Net cash from operations	16,829,189	35,507,388
Income taxes paid, including final taxes on interest income	(5,119,073)	(3,873,001)
Dividends received	986,468	887,821
Interest received	56,631	398,466
Net cash from operating activities	12,753,215	32,920,674
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	(287,459)	(1,098,923)
Proceeds from sale of short-term cash investment	—	2,168,050
Acquisition of software (Note 9)	—	(438,393)
Decrease in other noncurrent assets	—	24,514
Net cash from (used in) investing activities	(287,459)	655,248
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of dividends (Note 13)	(20,820,630)	(15,615,471)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(816,865)	(262,737)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,171,739)	17,697,714
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,283,786	24,586,072
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱33,112,047	₱42,283,786

See accompanying Notes to Financial Statements.



ALSONS INSURANCE BROKERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization for the Issuance of the Financial Statements

Corporation Information

Alsons Insurance Brokers Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 14, 1972 to engage in the business of insurance and reinsurance brokerage of life and non-life insurance. The Company is a holder of a brokerage license from the Philippine Insurance Commission (IC).

On December 11, 2020, the Company's Board of Directors (BOD), in compliance with the Insurance Commission's Guidelines on the Licensing Requirements of the Insurance and/or Reinsurance Brokers, approved the amendment to change the Company's corporate name in the first article of the Company's Amended Articles of Incorporation (AOI) to read as "Alsons Insurance and Reinsurance Brokers Corporation". As of April 15, 2021, the actual filing of the amended AOI is still pending.

The registered office address of the Company is Suite 8302, Plaza de Luisa Complex, R. Magsaysay Avenue, Davao City.

Authorization for the Issuance of the Financial Statements

The accompanying financial statements were authorized for issue by the Company's BOD on April 15, 2021.

2. Changes in Accounting Policies and Disclosures

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.



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

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

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

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, COVID-19-related Rent Concessions

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2020.

Standards and Interpretations Issued but not yet Effective

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



Effective beginning on or after January 1, 2021

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Company's financial statements in the period of initial application. Additional disclosures required by these pronouncements will be included in the financial statements when these are adopted.

3. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), the Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The Company qualifies as a medium-sized entity in accordance with PFRS for Small and Medium-sized entities (PFRS for SMEs) which was adopted by the Philippine Financial Reporting Standards Council and Philippine SEC on October 13, 2009 and December 3, 2009, respectively. However, the Company availed of the exemption from adopting PFRS for SMEs as allowed by the Revised Securities Regulations Code (SRC) Rule 68 on the basis that it is a holder of a secondary license issued by the Philippine Insurance Commission that is required to present financial statements in accordance with full PFRS. As such, the Company prepared its financial statements under full PFRS.



Current versus Noncurrent Classification

The Company presents asset and liabilities in statement of financial position based on current, noncurrent classification. An asset as current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liability are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash on hand refers to petty cash fund. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months less from the dates of placement and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognized in the statement of financial position at nominal amount.

Short-term Placements

Short-term placements are cash placements with original maturities of more than three (3) months but less than one year.

Fair Value Measurement

Fair value is the estimated 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.



Financial assets

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (price between the bid and ask spread), without any deduction for transaction costs. When current market 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 market observable prices exist, option pricing models, and other relevant valuation models.

Nonfinancial assets

A fair value measurement of a nonfinancial 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.

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

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) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

At each reporting date, management 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, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Financial Instruments

Financial assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified as and measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is



for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
 - with recycling of cumulative gains and losses (debt instruments)
 - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)

The Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets include cash in banks and cash equivalents and trade and other receivables.

Financial Assets at Fair Value through Other Comprehensive Income (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.



The Company does not have any debt financial assets at FVOCI.

Financial Assets designated at Fair Value through Other Comprehensive Income (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category (included under "Financial assets at fair value through other comprehensive income" account).

Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL) include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.



Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when, and only when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Modification of financial assets

The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted



EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent Measurement

Financial Liabilities at Fair Value through Profit or Loss (FVPL)

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.



Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

Derecognition

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

Exchange or modification of financial liabilities

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.



Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

	Years
Transportation equipment	5-6
Office furniture, fixtures and equipment	2-5

Leasehold improvements are amortized over five (5) years or the term of the lease, whichever is shorter.

The assets' residual value, useful lives, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation are credited to or charged against current operations.

When property and equipment are sold or retired, their cost, accumulated depreciation and amortization, and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Computer Software

Computer software pertains to software licensing costs acquired separately and are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring them to use.

Computer software is amortized using the straight-line method over five years, the estimated finite useful life of the software. The amortization of computer software is included under "Depreciation and amortization" account.



Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Company's property and equipment and other assets.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use or its net selling price 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 group of assets. Where the carrying amount of an asset exceeds the recoverable amount, the asset 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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 any such indication exists, the Company makes an estimate of the recoverable amount. 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 assets in prior years.

Equity

Capital stock

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

Treasury stock

Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings

Retained earnings represent accumulated earnings or losses of the Company, effects of any change in accounting policy and other adjustments affecting the account such as dividends declared. The Company's BOD declares dividends from the unappropriated portion of its retained earnings.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to remeasurements comprising actuarial gain or loss on defined benefit obligation and changes in fair value of financial assets at fair value through other comprehensive income.

Short-term leases

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



Retirement Cost

The Company has a funded, noncontributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement cost comprises of the following:

- a. Service cost
- b. Net interest on the net defined benefit liability or asset
- c. Remeasurement of net defined benefit liability or asset

Service costs which include current service cost, past service cost and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes related restructuring costs.

These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then net defined benefit liability. Net interest on the net defined benefit liability is recognized as part of net benefits cost in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on net defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

Past service cost, if any, is recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period.

Plan assets are assets that are held by a bank-administered employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net pension asset or liability recognized by the Company in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for past service costs that shall be recognized in later periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using long term government bond risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.



Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that it is acting as an agent in its revenue arrangements because it does not control the specified goods or services before these are transferred to the customer. Therefore, the Company's revenue is the net amount of consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Commission income

Commission income is generally recognized at a point in time upon collection of premiums from the policyholders based on the underlying insurance policy. Premium due from insured are collectible by the Company for the account of the insurer and are remittable to them within the credit term. Premiums payable to insurance companies pertain to premiums collected from policyholders but not yet remitted to insurance companies.

The Company has determined that the placement of an insurance policy, collection of premiums from policy holders and remittance of these collections to insurance companies are considered as a single distinct performance obligation as these represent a combined output provided by the Company to insurance companies and the Company would not be able to satisfy its performance obligation by transferring each of the services independently.

Other income

Other income is recognized at a point in time in profit or loss when it is earned.

Other Revenues

Dividend income

Dividend income is recognized when the right to receive the payment is established.

Interest income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Direct Costs

Direct costs are charged against operations in profit or loss when incurred.

General and Administrative Expenses

General and administrative expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Foreign Currency Transactions

The Company determines its functional currency and items included in the financial statements are measured using that functional currency. Transactions denominated in foreign currencies are initially recorded in Philippine Peso at exchange rate prevailing at the reporting date. Foreign currency-denominated monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting dates. Foreign exchange differentials between transaction rate and rate at settlement date or reporting date of foreign-currency denominated monetary assets and liabilities are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.



Taxes

Current income tax

Current income 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 the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax for current and prior periods, shall, to the extent unpaid, be recognized as a liability in the statement of financial position. If the amount already paid in respect of current and prior period exceeds the amount due for those periods, the excess paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset in the statement of financial position.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for deductible temporary differences, net operating loss carry-over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that taxable income will be available against which the deductible temporary differences, NOLCO and excess MCIT over RCIT can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year 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 reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.



Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Period

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

4. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements, as they become reasonably determinable.

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.

Judgment

Upon adoption of PFRS 15, the Company applied the judgments below that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Principal versus agent considerations

The Company enters into contracts with insurance companies to arrange for the provision of the specified service (i.e., place or sell insurance policies, collect premiums from policyholders and remit the amount collected to insurance companies). The Company determined that it does not control the specified goods or service (i.e., insurance policies) provided by the insurance companies before these are transferred to the customer (i.e., policyholder). The following factors indicate that the Company does not control the goods before they are being transferred to customers. Therefore, the Company determined that it is acting as an agent in these contracts.

- The Company is not primarily responsible for fulfilling the promise to provide the insurance coverage to policyholders.



- The Company has no discretion in establishing the price for the insurance policies. The Company's consideration in the contracts with insurance companies is only the commission amount based on the specified percentage of premiums collected from the policyholders.

In addition, the Company concluded that it transfers control over its services at a point in time, upon collection of premiums from the policyholders, because this is when the insurance companies benefit from the Company's brokerage service.

Estimates

Fair value measurement of financial assets at FVOCI

The significant components of fair value measurement were determined using verifiable objective evidence (i.e., stock market pricing). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets at FVOCI would directly affect OCI.

The carrying value of financial assets amounted to ₱67.08 million and ₱59.68 million as of December 31, 2020 and 2019, respectively (see Note 7).

Estimation of allowance for expected credit losses

The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Company's historical default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if the forecasted economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the insurance and reinsurance broker sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information estimated are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may not also be representative of the customer's actual default in the future.

As of December 31, 2020 and 2019, trade and other receivables amounted to ₱2.29 million and ₱1.42 million, respectively (see Note 6). Management believes that the Company's trade and other receivable are fully realizable.

Estimation of retirement benefits obligation

The determination of the Company's defined benefit obligation and retirement cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 16 to the financial statements and include, among others, the discount rate and rate of compensation increase. In accordance with PAS 19, actual results that differ from Company's assumptions are recognized immediately in profit or loss. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience or significant changes in the assumptions may materially affect the defined benefit obligation and retirement cost. All assumptions are reviewed at each reporting date.



As of December 31, 2020 and 2019, net pension liability amounted to ₱2.17 million and ₱1.18 million, respectively (see Note 17).

Recognition of deferred income tax assets

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of the deferred income tax assets that can be recognized. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the next reporting period. This forecast is based on the Company's past results and future expectations of revenue and expenses.

As of December 31, 2020 and 2019, gross deferred income tax assets recognized amounted to ₱1.30 million and ₱1.16 million, respectively (see Note 18).

Estimation of provisions

The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. Management believes that the eventual amount at which these liabilities will be settled will not have a material impact on the Company's financial statement. The Company recognized provisions for probable losses amounting to ₱0.88 million and ₱1.23 million as of December 31, 2020 and 2019, respectively (see Note 11).

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	₱38,831	₱39,195
Cash in banks	33,073,216	40,046,400
Cash equivalents	—	2,198,191
	₱33,112,047	₱42,283,786

Cash in banks earned interest at rates ranging from 0.125% to 0.15% in 2020 and 0.125% to 0.25% in 2019. Cash equivalents have nominal annual interest rates at 3.4% in 2019.

Interest income from cash and cash equivalents amounted to ₱0.06 million in 2020 and ₱0.40 million in 2019.

6. Trade and Other Receivables

This account consists of:

	2020	2019
Commissions receivable	₱1,116,166	₱431,872
Premiums refund collectible	600,349	473,780
Advances to officers and employees	552,151	456,939
Advances to affiliates (Note 12)	—	32,727
Other receivables	23,700	23,761
	₱2,292,366	₱1,419,079



Commissions receivable refer to brokerage fees of premiums due from the Company's affiliates and brokerage fees due from insurers for the amounts of premiums directly collected by the insurer from policyholders. These receivables are non-interest-bearing and are generally on a 1 to 90 days terms.

Premiums refund collectible refer to fully paid and remitted premiums that have succeeding negative endorsements or modifications.

Advances to affiliates pertain to noninterest-bearing reimbursement of expenses that are due and demandable.

Advances to officers and employees pertain to the amounts borrowed by the Company's personnel. These advances are normally settled through salary deduction.

Other receivables represent reimbursements of engineering fees, interest receivable and others.

7. Financial Assets at Fair Value through Other Comprehensive Income

As of December 31, 2020 and 2019, this account consists of equity instruments designated at FVOCI amounting to ₱67.08 million and ₱59.68 million, respectively

The financial assets consist of quoted equity securities issued by Alsons Consolidated Resources Inc. (ACR), a related party. The cost of financial assets amounted to ₱67.43 million.

The movement in the revaluation reserve on fluctuation on financial assets at FVOCI in 2020 and 2019 follows:

	2020	2019
Balance at beginning of year	(₱7,750,165)	(₱4,297,527)
Change in fair value of financial assets	7,398,509	(3,452,638)
Balance at end of year	(₱351,656)	(₱7,750,165)

8. Property and Equipment

As of December 31, 2020:

	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
At January 1	₱462,805	₱2,645,020	₱3,423,272	₱6,531,097
Additions	—	—	287,459	287,459
At December 31	462,805	2,645,020	3,710,731	6,818,556
Accumulated Depreciation and Amortization				
At January 1	₱445,431	₱1,827,265	₱3,076,257	₱5,348,953
Depreciation and amortization (Notes 15 and 16)	6,510	241,860	193,375	441,745
At December 31	451,941	2,069,125	3,269,632	5,790,698
Net Book Value	₱10,864	₱575,895	₱441,099	₱1,027,858



As of December 31, 2019:

	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
At January 1	₱462,805	₱1,841,449	₱3,127,920	₱5,432,174
Additions	—	803,571	295,352	1,098,923
At December 31	462,805	2,645,020	3,423,272	6,531,097
Accumulated Depreciation and Amortization				
At January 1	₱438,921	₱1,621,194	₱2,994,069	₱5,054,184
Depreciation and amortization (Notes 15 and 16)	6,510	206,071	82,188	294,769
At December 31	445,431	1,827,265	3,076,257	5,348,953
Net Book Value	₱17,374	₱817,755	₱347,015	₱1,182,144

Depreciation and amortization are charged to the following:

	2020	2019
Direct costs (Note 15)	₱309,221	₱206,339
General and administrative expenses (Note 16)	132,524	88,430
	₱441,745	₱294,769

9. Computer Software

In 2019, the Company purchased a new computer software to be used as an accounting system for the Company's operations.

As of December 31:

	2020	2019
Cost – At January 1 and December 31	₱438,393	₱438,393
Accumulated amortization		
At January 1	₱58,452	₱—
Amortization (Notes 15 and 16)	87,679	58,452
At December 31	146,131	58,452
Net Book Value	₱292,262	₱379,941

Amortization during in 2020 and in 2019 is charged to the following:

	2020	2019
Direct costs (Note 15)	₱61,375	₱40,916
General and administrative expenses (Note 16)	26,304	17,536
	₱87,679	₱58,452



10. Trade and Other Payables

This account consists of:

	2020	2019
Accounts payable	₱21,194,666	₱34,018,409
Accrued expenses (Note 12)	14,711,359	7,397,238
Payable to broker company	4,388,988	2,488,871
Premium deposit	2,435,627	650,884
Premium refundable to assured	1,846,803	1,568,345
Taxes payable	1,168,628	1,236,021
Advances from affiliates (Note 12)	736,832	134,755
Advances from insurance companies	332,505	262,715
Other payables	1,151,996	3,220,032
	₱47,967,404	₱50,977,270

Accounts payable consist of payments received from insurer for payout to assured companies and amounts payable to insurance companies.

Accrued expenses, which primarily consist of management fees, utility charges and professional fees, are payable within 90 days.

Payable to broker company refers to the share in commission income due to a co-brokerage agreement.

Premium deposit refers to advances made by the assured for premium payments due and collections from assured which were received but were not yet applied due to incomplete reference.

Premium refundable to assured pertains to the amount which is payable to the assured due to overpayment resulting from modification of contract.

Taxes payable pertain to taxes withheld for transactions subject to withholding tax. This is remitted to the Philippine Bureau of Internal Revenue (BIR) on or before the 10th of the following month.

Advances from affiliates pertain to the amount owed by the Company to its affiliates for reimbursement of expenses and for current operational needs. These advances are normally payable within 90 days.

Advances from insurance companies consist of commission payments received but were not yet properly applied due to incomplete reference.

Other payables pertain to various miscellaneous liabilities.



11. Provisions

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position.

	2020	2019
Balance at beginning of year	₱1,228,471	₱1,442,189
Settlement for the year	(350,782)	(213,718)
Balance at end of year	₱877,689	₱1,228,471

12. Related Party Transactions

Parties are 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; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

On the next page are the Company's significant transactions with its related parties under common control of ACR:

Category	Year	Amount/ Volume	Outstanding Receivable (Payable)	Terms	Conditions
Advances to affiliates (Note 6)					
Alcantara Group	2020	₱-	₱-	Non-interest bearing, due and demandable	Unsecured, no impairment
	2019	₱180,000	₱32,727	-do-	-do-
Management expense (Notes 14 and 15)					
Conal Corporation (a)	2020	5,903,362	(4,846,407)	Non-interest bearing, due and demandable	Unsecured
	2019	1,799,996	(630,050)	-do-	-do-
Advances from affiliates (Note 9)					
Alsons Security Co., Inc. (b)	2020	1,225,376	(736,832)	Non-interest bearing, due and demandable	Unsecured
	2019	1,234,979	(134,755)	-do-	-do-
Alsons Land Corp. (c)	2020	1,281,216	-	-do-	-do-
	2019	1,281,216	-	-do-	-do-

- Management fees pertain to the amount payable to Conal Corporation for the Company's share in administrative expenses (see Notes 15 and 16). Outstanding management fees payable are presented under "Accrued expenses" included as part of "Trade and other payables" in the statement of financial position (see Note 10).
- Security services of the Company is provided by Alsons Security Co. Inc. with a fixed monthly rate and corresponding security's overtime, if any. Contract rate is based on the prescribed wage order as approved by the Department of Labor and Employment. Security services are included as part of "Outside services" under "General and administrative expenses" in the statement of comprehensive income (see Note 16).



- c. The Company leases office and parking spaces owned by Alsons Land Corp. renewable every year upon mutual agreement by both parties. Rental expenses charged to costs and expenses amounted to ₱1.28 million in 2020 and 2019 (see Note 19).
- d. In December 2017, the Company purchased quoted equity securities issued by ACR amounting to ₱67.43 million. These equity securities are classified as financial assets at FVOCI in the statement of financial position and are carried at fair value (see Note 7).

The compensation of members of key management personnel under “Salaries, wages and other employee benefits” included as part of “Cost and expenses” in statement of comprehensive income amounted to ₱1.90 million in 2020 and 2019 (see Notes 15 and 16).

There have been no guarantees provided or received for any related party receivables or payables. The Company has not recognized impairment losses on amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each reporting year through a review of the financial position of the related party and the market in which the related party operates.

13. Equity

Capital Stock

The Company’s authorized capital stock, with par value of ₱100 per share, consists of 500,000 shares, of which 478,261 shares has been issued and outstanding. As of December 31, 2020 and 2019, capital stock amounted to ₱47.83 million.

Retained Earnings

- a. During the regular meeting of the BOD held on December 11, 2020, cash dividends were declared amounting to ₱20.82 million equivalent to ₱43.53 per share payable to stockholders of record as of that date. The Company paid out the said dividends on December 15, 2020.
- b. During the regular meeting of the BOD held on December 13, 2019, cash dividends were declared amounting to ₱15.62 million equivalent to ₱32.65 per share payable to stockholders of record as of that date. The Company paid out the said dividends on December 20, 2019.

The retained earnings are restricted to the extent of treasury shares amounting ₱4,200.

Capital Management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new common shares and may declare stock dividends. To ensure the adequacy of the Company’s capital, management prepares annual cash flow forecast projecting the Company’s future cash requirement, which is used to assess if additional capital may be required. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the Company has complied with the ₱20 million minimum paid-up capital requirement imposed by the IC and SEC. The Company’s sources of capital are follows:

	2020	2019
Capital stock	₱47,827,300	₱47,827,300
Retained earnings	4,208,418	10,547,175
Treasury stock	(4,200)	(4,200)
	₱52,031,518	₱58,370,275



14. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Geographical market	2020		
	Makati	Davao	Total
Commission income	₱48,311,125	₱2,215,148	₱50,526,273

Geographical market	2019		
	Makati	Davao	Total
Commission income	₱38,785,682	₱3,120,517	₱41,906,199
Other income	93,314	–	93,314
	₱38,878,996	₱3,120,517	₱41,999,513

15. Direct Costs

This account consists of:

	2020	2019
Salaries, wages and other employee benefits (Note 12)	₱6,684,117	₱6,489,028
Management expense (Note 12)	4,132,353	1,259,997
Selling expense	1,359,323	1,445,759
Travel and transportation	1,344,331	1,921,909
Rent (Notes 12 and 19)	995,165	995,165
Communication	942,300	684,367
Insurance	503,593	585,721
Training and development	399,881	407,481
Taxes and licenses	389,961	453,002
Net benefits cost (Note 17)	373,251	286,187
Depreciation and amortization (Note 8 and Note 9)	370,596	247,255
Light and water	77,306	204,903
Stationery and office supplies	34,654	85,536
Miscellaneous	371,035	558,971
	₱17,977,866	₱15,625,281

16. General and Administrative Expenses

This account consists of:

	2020	2019
Outside services (Note 12)	₱3,406,291	₱3,937,477
Salaries, wages and other employee benefits (Note 12)	2,864,622	2,781,012
Management expense (Note 12)	1,771,009	539,999
Selling expense	582,567	619,611
Travel and transportation	576,142	823,675

(Forward)



	2020	2019
Rent (Notes 12 and 19)	₱426,499	₱426,499
Communication	403,843	293,300
Entertainment, amusement and recreation	388,421	439,569
Insurance	215,825	251,023
Training and development	171,378	174,635
Taxes and licenses	167,126	194,144
Net benefits cost (Note 17)	159,965	122,652
Depreciation and amortization (Note 8 and 9)	158,828	105,966
Light and water	33,131	87,815
Stationery and office supplies	14,852	36,658
Miscellaneous	159,015	259,559
	₱11,499,514	₱11,093,594

17. Retirement Plan

The Company has a defined benefit plan, covering substantially all of its employees which require contributions to be made to an administered fund. The plan is administered by a local bank as trustee.

The Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by the trustee under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the trustee. These funds are subject to the investment objectives and guidelines established by the trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The trustee is responsible for the investment strategy of the plan. Republic Act (RA) No.7641, *The New Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The tables in the next page summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the statements of financial position for the plan.

	2020		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
At January 1	₱4,346,974	(₱3,169,763)	₱1,177,211
Net benefit costs in profit or loss (Notes 15 and 16)			
Current service cost	461,517	—	461,517
Net interest expense (income)	234,302	(162,603)	71,699
Benefits paid	(306,009)	306,009	—
	₱4,736,784	(₱3,026,357)	₱1,710,427

(Forward)



	2020		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
Actuarial loss (gain) in other comprehensive income			
Actuarial gain on plan assets	₱—	(₱19,683)	(₱19,683)
Actuarial loss (gain) arising from:			
Change in financial assumptions	868,940	—	868,940
Experience adjustments	(392,064)	—	(392,064)
	476,876	(19,683)	457,193
At December 31	₱5,213,660	(₱3,046,040)	₱2,167,620

	2019		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
At January 1	₱3,430,280	(₱2,912,045)	₱518,235
Net benefit costs in profit or loss (Notes 15 and 16)			
Current service cost	366,493	—	366,493
Net interest expense	256,585	(214,239)	42,346
Benefits paid	(95,776)	95,776	—
	₱3,957,582	(₱3,030,508)	₱927,074
Actuarial loss (gain) in other comprehensive income			
Actuarial gain on plan assets	—	(139,255)	(139,255)
Actuarial loss (gain) arising from:			
Change in financial assumptions	863,426	—	863,426
Experience adjustments	(474,034)	—	(474,034)
	389,392	(139,255)	250,137
At December 31	₱4,346,974	(₱3,169,763)	₱1,177,211

The details of accumulated remeasurement gain on defined benefit obligation follows:

	2020	2019
At January 1	₱2,209,217	₱2,459,354
Actuarial loss on defined benefit obligation	(457,193)	(250,137)
	1,752,024	2,209,217
Tax effect	(525,607)	(662,765)
At December 31	₱1,226,417	₱1,546,452

Allocation of net benefits cost follow:

	2020	2019
Direct costs (Note 15)	₱373,251	₱286,187
General and administrative expenses (Note 16)	159,965	122,652
	₱533,216	₱408,839



Actual return on plan assets amounted to ₱0.18 million in 2020 and ₱0.35 million 2019. The Company expects to contribute ₱0.60 million to the plan in 2021.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The latest actuarial valuation report is as of December 31, 2020. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2020	2019
Discount rate	5.39%	7.48%
Salary increase rate	4.00%	4.00%
Average remaining working life	18.5 years	16.8 years

The discount rate assumption is based on the theoretical spot yield curve by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The salary increase rate assumption is based on the accrued benefit actuarial cost method applied on the employee salaries data.

The latest actuarial valuation report is as of December 31, 2020 with a discount rate of 3.85%.

The average duration of the defined benefit obligation at the end of the reporting period is 11.3 years and 12.3 years as of December 31, 2020 and 2019, respectively.

The net plan assets consist of the following:

	2020	2019
Cash	₱3,305	₱1,365
Investment in unit investment trust fund (UITF)	3,042,735	3,168,398
	₱3,046,040	₱3,169,763

The fair values of the Company's plan assets approximate their carrying values due to the short-term nature of the cash and loans. The investment in UITF is carried at the net asset value per unit which approximates its fair value. The investments in UITF are classified under Level 2 in the fair value hierarchy.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Changes in variables	Increase (decrease) in defined benefit obligation	
		2020	2019
Discount rate	+1.00%	(₱588,266)	(₱449,097)
	-1.00%	693,109	529,462
Salary increase rate	+1.00%	684,870	531,603
	-1.00%	(592,738)	(458,683)



Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2020	2019
Less than 1 year	₱35,602	₱465,772
More than 1 year to 4 years	745,019	687,324
More than 5 years to 10 years	2,343,911	2,410,138
	₱3,124,532	₱3,563,234

18. Income Tax

- a. Income tax includes RCIT and final taxes paid at the rate of 20% for peso deposits which is the final withholding tax on gross interest income from cash and cash equivalents. These income taxes as well as the deferred tax provisions are presented as provision for income tax in profit or loss follows:

	2020	2019
Current		
RCIT	₱6,204,453	₱4,354,472
Final	11,326	79,693
Deferred	(440,124)	(34,121)
	₱5,775,655	₱4,400,044

Net deferred tax assets as of December 31 relate to the tax effects of the following:

	2020	2019
Presented in profit or loss		
Deferred tax assets on:		
Net pension liability	₱1,175,893	₱1,015,928
Unamortized past service cost	125,714	144,292
Unrealized foreign exchange loss	2,093	—
	1,303,700	1,160,220
Deferred tax liability on unrealized foreign exchange gain	—	(296,644)
	1,303,700	863,576
Presented in other comprehensive income		
Deferred tax liability on actuarial gain on defined benefit plan	(525,607)	(662,765)
	₱778,093	₱200,811

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

	2020	2019
Income tax at statutory income tax rate	₱6,077,258	₱4,700,085
Tax effects of:		
Dividend income exempt from income tax	(295,940)	(266,346)
Income already subjected to final tax	(5,663)	(39,847)
Nondeductible expenses	—	6,152
Effective income tax rate	₱5,775,655	₱4,400,044



19. Leases

The following are the Company's lease transactions:

- a. The Company entered into non-cancelable lease agreements with Alsons Land Corp. for the lease of office and parking spaces located at 2286 Chino Roces Avenue, Makati City. The lease agreement for the office space has a term of one year with fixed monthly rental payments of ₱98,768 payable at the beginning of each month. The lease agreements are renewable in writing upon mutual agreement of the parties (see Note 12).
- b. The Company entered into a non-cancelable lease contract with a third party for the lease of office space located at Suite 8302, Plaza de Luisa Complex R. Magsaysay Avenue, Davao City. The lease agreement has a term of one year with fixed monthly rental payments of ₱11,704 payable at the beginning of each month. The lease agreements are renewable in writing upon mutual agreement of the parties.

There is no future minimum rental payment under the operating leases since the rental periods commences in January and ends in December.

Allocation of rental expenses follow:

	2020	2019
Direct costs (Note 15)	₱995,165	₱995,165
General and administrative expenses (Note 16)	426,499	426,499
	₱1,421,664	₱1,421,664

20. Financial Risk Management Objectives and Policies

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

The Company has various financial instruments such as cash and cash equivalents, trade and other receivables, financial assets, dividends and trade and other payables, which arise directly from its operations. The main risks arising payable from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves the Company's risk management objectives and policies as summarized in the next pages.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's policy is to maintain sufficient cash or have available funding through an adequate amount of credit facilities to meet its commitments.

The Company monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and projected cash flows from operations.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities as of December 31 based on contractual undiscounted payments.



As of December 31, 2020:

	On Demand	1 to 3 Months	3 to 12 Months	1 to 3 Years	No Term	Total
Financial assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱33,112,047	₱—	₱—	₱—	₱—	₱33,112,047
Trade and other receivables						
Commissions receivable	1,116,166	—	—	—	—	1,116,166
Premiums refund collectible	—	600,349	—	—	—	600,349
Other receivables	23,700	—	—	—	—	23,700
Financial assets at FVOCI	—	—	—	—	67,079,813	67,079,813
	₱34,251,913	₱600,349	₱—	₱—	₱67,079,813	₱101,932,075
Financial liabilities						
Trade and other payables						
Accounts payable	₱—	₱21,194,666	₱—	₱—	₱—	₱21,194,666
Accrued expenses	—	14,711,359	—	—	—	14,711,359
Payable to broker company	4,388,988	—	—	—	—	4,388,988
Premium deposit	2,435,627	—	—	—	—	2,435,627
Premium refundable to assured	1,846,803	—	—	—	—	1,846,803
Advances from affiliates	736,832	—	—	—	—	736,832
Advances from insurance companies	332,505	—	—	—	—	332,505
Other payables	1,151,996	—	—	—	—	1,151,996
	₱10,892,751	₱35,906,025	₱—	₱—	₱—	₱46,798,776

As of December 31, 2019:

	On Demand	1 to 3 Months	3 to 12 Months	1 to 3 Years	No Term	Total
Financial assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱40,085,595	₱2,198,191	₱—	₱—	₱—	₱42,283,786
Trade and other receivables						
Commissions receivable	431,872	—	—	—	—	431,872
Premiums refund collectible	—	473,780	—	—	—	473,780
Advances to affiliates	—	—	32,727	—	—	32,727
Other receivables	23,761	—	—	—	—	23,761
Financial assets at FVOCI	—	—	—	—	59,681,304	59,681,304
	₱40,541,228	₱2,671,971	₱32,727	₱—	₱59,681,304	₱102,927,230
Financial liabilities						
Trade and other payables						
Accounts payable	₱—	₱34,018,409	₱—	₱—	₱—	₱34,018,409
Accrued expenses	—	7,397,238	—	—	—	7,397,238
Premium refundable to assured	1,568,345	—	—	—	—	1,568,345
Payable to broker company	2,488,871	—	—	—	—	2,488,871
Premium deposit	685,922	—	—	—	—	685,922
Advances from affiliates	134,755	—	—	—	—	134,755
Advances from insurance companies	262,715	—	—	—	—	262,715
Other payables	3,220,032	—	—	—	—	3,220,032
	₱8,360,640	₱41,415,647	₱—	₱—	₱—	₱49,776,287



Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The currency risks of the Company occur because it bills some of its customers in US dollar (US\$) on dollar denominated insurance policies. The Company's policy is to match cash flows from highly probable future sales and costs in foreign currency. The Company measures its risk by comparing the expected change in foreign exchange rates using forward rates against current foreign exchange rate as of reporting date. Foreign currency needed for any unmatched costs are sourced from the spot market. The Company currently does not use derivative financial instruments to manage its currency risks.

The Company's foreign currency denominated financial assets include cash and cash equivalents and commissions receivable presented under "Trade and other receivables" in the statements of financial position. Foreign currency denominated financial liabilities include accounts payable presented under "Trade and other payables" in the statement of financial position.

The Company's US\$ denominated financial assets and liabilities as of December 31 are as follows:

	2020		2019	
	US Dollar	Philippine peso	US Dollar	Philippine peso
Assets				
Cash in banks	\$300,207	₱14,416,841	\$590,420	₱29,895,917
Liability				
Accounts payable	—	—	193,688	9,807,368
	\$300,207	₱14,416,841	\$396,732	₱20,088,549

The exchange rates used are ₱48.023 to US\$1 in 2020 and ₱50.635 to US\$1 in 2019.

The Company believes that its profile of foreign currency exposures is within conservative limits for the Company's business industry.

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the income before income tax for the years ended December 31. There is no impact on the equity other than those affecting net income.

Year	Increase/decrease in US\$ exchange rate	Effect on income before income tax
2020	+3.17%	₱457,014
	-3.17%	(457,014)
2019	+9.67%	₱1,942,560
	-9.67%	(1,942,560)

The Company determined the reasonably possible change in foreign exchange rates by using percentage change in the weighted average foreign currency exchange rate for the past three years. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities as at reporting date.

Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligation. The Company trades only with its related parties and recognized creditworthy third parties. The Company's credit verification procedures are in force to ensure, on an ongoing basis, that the receivables are collected within the agreed terms. With respect to credit risk arising from the financial assets of the Company, which comprise cash in banks and cash equivalents, short-term placements, trade and other receivables and financial assets, the Company's maximum exposure to credit risk equal to the carrying amounts of these instruments.



The gross maximum exposure to audit risk of the Company approximates its net maximum exposure. There were no amounts subject to an enforceable master-netting arrangement or similar arrangement as of December 31, 2020 and 2019. There are no significant concentrations of credit risk within the Company.

Commissions Receivable

For commissions receivable, the Company, uses a provision matrix to calculate ECL. The provision rates are determined based on the Company's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type and channels. The Company adjusts historical default rates to forward-looking default rate by determining the closely-related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed. As of December 31, 2020 and 2019, the Company does not have credit risk exposure from its commissions receivable since these are deemed fully realizable.

Set out below is the information about the credit risk exposure on the Company's commissions receivable as of December 31, 2020 and 2019 using a provision matrix.

As at December 31, 2020

	Current	Days Past Due				Total Commissions Receivable and ECL
		1-30 Days	31-60 Days	61-90 Days	91-180 Days	
Estimated total gross carrying amount at default	₱7,699	₱19,135	₱150,386	₱36,818	₱902,128	₱1,116,166
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱-

As at December 31, 2019

	Current	Days Past Due				Total Commissions Receivable and ECL
		1-30 Days	31-60 Days	61-90 Days	91-180 Days	
Estimated total gross carrying amount at default	₱160,859	₱21,797	₱60,184	₱77,341	₱111,691	₱431,872
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱-

Other Financial Assets at Amortized Cost

The Company's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, short-term placement and other receivables. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation to the banking industry. Cash in banks cash equivalents and short-term placement are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

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



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

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

For the Company's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Company's rating policy.

The table presented below presents the summary of the Company's exposure to credit risk as of December 31, 2020 and 2019 and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

As of December 31, 2020:

	Financial Assets			Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
Financial assets				
Cash and cash equivalents*	₱33,073,216	₱-	₱-	₱33,073,216
Trade and other receivables				
Premiums refund collectible	600,349	-	-	600,349
Advances to officers and employees	552,151	-	-	552,151
Others receivables	23,700	-	-	23,700
Financial assets at FVOCI	67,079,813	-	-	67,079,813
	₱101,329,229	₱-	₱-	₱101,329,229

*Cash and cash equivalents exclude cash on hand.

As of December 31, 2020:

	Financial Assets			Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
Financial assets				
Cash and cash equivalents*	₱42,244,591	₱-	₱-	₱42,244,591
Trade and other receivables				
Premiums refund collectible	473,780	-	-	473,780
Advances to affiliates	32,727	-	-	32,727
Advances to officers and employees	456,939	-	-	456,939
Others receivables	23,761	-	-	23,761
Financial assets at FVOCI	59,681,304	-	-	59,681,304
	₱102,913,102	₱-	₱-	₱102,913,102

*Cash and cash equivalents exclude cash on hand.

High grade pertains to receivables with no default in payment. Standard rated receivables are collectible from 0 to 90 days from issuance of statement of accounts.



Financial Instruments

Due to the short-term nature of cash and cash equivalents, trade and other receivables and trade and other payables, their carrying values reasonably approximate fair values as at December 31, 2020 and 2019.

The fair value of financial instruments under financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices within the bid-offer price range, at the close of business on the end of the reporting period or the last trading day as applicable

Fair Value Hierarchy

As of December 31, 2020 and 2019, the Company classifies financial assets under Level 1 of the fair value hierarchy. During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

21. Events after the Reporting Period

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for **domestic** and **resident foreign** corporations. For **domestic** corporations with net taxable income not exceeding ₱5.00 million **and** with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.



- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱5.69 million and ₱0.63 million, respectively, or a reduction of ₱0.52 million. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- This will result in lower deferred tax assets -net as of December 31, 2020 and benefit from deferred tax for the year then ended by ₱0.13 million and ₱0.22 million, respectively. These reductions will be recognized in the 2021 financial statements.

22. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Company reported and/or paid the following types of taxes in 2020:

a. Value added tax (VAT)

The Company's insurance and reinsurance commission are subject to output VAT while purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

	Net Sales/ Receipts	Output VAT
Vatable sales/receipt to private entities	₱44,001,892	₱5,280,227
Zero-rated sales	5,836,851	—
	₱49,838,743	₱5,280,227

The Company's commission income are based on actual collections received, hence, may not be the same as the amounts shown in profit or loss.

Input VAT

Balance at January 1, 2020	₱—
Current year's domestic purchases/payments for:	
Goods other than capital goods	73,266
Services lodged under cost of goods sold	2,070,295
Monthly VAT Payments for ten (10) months	2,896,327
	5,039,888
Output VAT	(5,280,227)
Payable at December 31, 2020	₱240,339



b. Other Taxes and Licenses

Local

Mayor's permits	₱348,550
Community tax	12,378
	<u>360,928</u>

National

Insurance commission registration and fees	176,750
BIR registration	1,000
Other licenses	18,409
	<u>196,159</u>
Total taxes and licenses	<u>₱557,087</u>

c. Withholding Taxes

Withholding taxes on compensation and benefits	₱624,829
Expanded withholding taxes	306,544
	<u>₱931,373</u>

d. Tax Assessments and Cases

The Company is not involved in any tax cases, litigations and/or prosecution in courts or bodies outside the BIR.



**ALSONS INSURANCE BROKERS CORPORATION
CREDITABLE WITHHOLDING RAX
FOR THE YEAR 2020**

	<u>TIN</u>	<u>AMOUNT</u>
ASIA INSURANCE (PHILS.), CORP.	000-740-925-000	17,537.84
ASIA UNITED INSURANCE, INC.	207-647-206-000	8,844.83
BPI/MS INSURANCE CORP.	000-474-030-000	4,954.09
CHARTER PING AN INSURANCE CORP.	000-487-306-000	95,082.91
COCOLIFE	000-604-739-000	197,149.45
EASTWEST HEALTHCARE, INC.	006-358-667-000	14,853.40
FPG INSURANCE CO., INC	000-455-062-000	694,035.99
HEALTH PARTNERS DENTAL ACCESS, INC.	006-618-249-000	3,516.18
INSURANCE COMPANY OF NORTH AMERICA	000-589-211-000	17,287.20
LIBERTY INSURANCE CORPORATION	000-471-488-000	12,399.48
MALAYAN INSURANCE COMPANY, INC.	000-333-534-000	158,997.15
MANILA BANKERS LIFE INSURANCE CORP.	000-474-490-000	100,327.04
MAXICARE HEALTHCARE CORPORATION	000-487-637-000	28,902.16
MEDICARD PHILS.	000-476-995-000	3,843.87
MILESTONE GUARANTY AND ASSURANCE	001-094-068-000	652.94
NATIONAL REINSURANCE CORPORATION OF	000-480-869-000	18,326.56
ORIENTAL ASSURANCE CORP.	000-798-742-000	10,543.52
PACIFIC CROSS INSURANCE, INC.	000-440-080-000	1,484.57
PARAMOUNT LIFE AND GENERAL INSURANCE	000-487-644-000	3,000.00
PHILIPPINE AXA LIFE INSURANCE CORP.	000-485-226-000	12,480.39
PHIL. AMERICAN LIFE AND GENERAL INS. CO.	000-803-117-000	4,195.14
PHIL. BRITISH ASSURANCE CO., INC.	000-803-300-000	101,489.30
PHIL. FIRST INSURANCE CO., INC.	000-848-361-000	14,339.29
PIONEER INSURANCE & SURETY CORP.	000-541-177-000	628,347.21
PIONEER INTERCONTINENTAL INSURANCE	000-597-946-000	1,575.00
RELIANT HEALTH MED ALLIANCE	007-717-459-000	925.62
SARANGANI ENERGY CORPORATION	007-901-880-000	165,751.09
SIGUIL HYDRO POWER CORP.	008-088-150-00	1,449,159.34
STERLING INSURANCE CO., INC.	001-009-467-000	4,422.42
SUN LIFE OF CANADA (PHILS.), INC.	204-962-522-000	1,226.51
THE NEW INDIA ASSURANCE COMPANY LTD.	000-222-797-000	65,842.16
UCPB GENERAL INSURANCE CO., INC.	000-432-798-000	1,212,725.62
GRAND TOTAL		5,054,218.28