

COVER SHEET

For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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F	u	b	o	n		I	n	s	u	r	a	n	c	e		C	o	.	,	L	t	d	.)					

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

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1	0	8		P	a	s	e	o		d	e		R	o	x	a	s	,		M	a	k	a	t	i			
C	i	t	y																									

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	N/A	N/A

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
fubon.com.ph	812-2875	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	2 nd Friday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Hong-Ming Chen	gavinchen1127@gmail.com	812-2875	N/A

CONTACT PERSON'S ADDRESS

7 th Floor, Pioneer House, 108 Paseo de Roxas, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

**FUBON INSURANCE BROKER (PHILIPPINES)
CORPORATION**
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)

FINANCIAL STATEMENTS
December 31, 2017 and 2016



R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Fubon Insurance Broker (Philippines) Corporation
7th Floor, Pioneer House
108 Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fubon Insurance Broker (Philippines) Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, 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 (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, the Company has a total equity of P17.63 million and P18.21 million as at December 31, 2017 and 2016, respectively. The decrease in total equity is attributable to the net losses incurred in 2017 and 2016 amounting to P0.58 million and P1.48 million, respectively. However, this condition does not indicate material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. Also, as at December 31, 2017 and 2016, the Company's current liabilities of P19.31 million and P6.51 million, respectively, did not exceed its current assets amounting to P36.43 million and P24.02 million, respectively. In line with this, the management upholds marketing strategies of the insurance products it offers in behalf of the insurance companies it represents to increase commission income for the year. Obtaining more clients for the next year was planned by the Company.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. 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.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2017

Issued September 5, 2017; valid until September 4, 2020

PTR No. 6615137MD

Issued January 3, 2018 at Makati City

April 13, 2018

Makati City, Metro Manila



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Fubon Insurance Broker (Philippines) Corporation
7th Floor, Pioneer House
108 Paseo de Roxas
Makati City

We have audited the accompanying financial statements of Fubon Insurance Broker (Philippines) Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated April 13, 2018.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

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

The Board of Directors and Stockholders
Fubon Insurance Broker (Philippines) Corporation
7th Floor, Pioneer House
108 Paseo de Roxas
Makati City

We have audited the accompanying financial statements of Fubon Insurance Broker (Philippines) Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated April 13, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2017

Issued September 5, 2017; valid until September 4, 2020

PTR No. 6615137MD

Issued January 3, 2018 at Makati City

April 13, 2018
Makati City, Philippines

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	5, 7	P15,231,284	P3,881,811
Short-term investments	5, 8	12,000,000	14,000,000
Accounts receivable - net	5, 9	5,564,082	3,191,065
Loans and receivables	5, 10	103,488	101,297
Prepayment and other current assets	11	3,533,792	2,845,097
Total Current Assets		36,432,646	24,019,270
Noncurrent Assets			
Property and equipment - net	12	345,757	542,572
Intangible assets - net	13	161,526	158,924
Total Noncurrent Assets		507,283	701,496
		P36,939,929	P24,720,766
LIABILITIES AND EQUITY			
Current Liabilities			
Payable to insurance companies	5, 14	P17,817,324	P5,317,144
Accruals and other payables	15	1,490,835	1,195,118
Total Current Liabilities		19,308,159	6,512,262
Equity			
Capital stock		20,000,000	20,000,000
Additional paid-in capital		16,500	16,500
Deficit		(2,384,730)	(1,807,996)
Total Equity	6	17,631,770	18,208,504
		P36,939,929	P24,720,766

See Notes to the Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2017	2016
REVENUE	16		
Commission income		P11,274,906	P8,838,126
Commission discount		(446,258)	(185,057)
		10,828,648	8,653,069
OPERATING EXPENSES			
Salaries and employee benefits	18	4,856,006	3,866,312
Rent	19	2,904,607	2,892,290
Representation and entertainment		818,351	645,989
Communication, light and water		715,774	719,117
Transportation and travel		606,248	759,760
Professional fee		301,872	559,500
Depreciation and amortization	12, 13	218,530	387,693
Insurance expense		169,509	199,280
Taxes and licenses		136,252	181,491
Registration		79,211	27,460
Association dues		51,750	234,385
Supplies		35,904	53,166
Repairs and maintenance		18,690	15,059
Advertising		-	28,701
Miscellaneous		498,798	476,409
		11,411,502	11,046,612
LOSS FROM OPERATIONS		(582,854)	(2,393,543)
OTHER INCOME	16	141,542	1,050,046
LOSS BEFORE INCOME TAX		(441,312)	(1,343,497)
INCOME TAX EXPENSE	17	135,422	132,038
NET LOSS/TOTAL COMPREHENSIVE LOSS		(P576,734)	(P1,475,535)

See Notes to the Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	<i>Note</i>	2017	2016
CAPITAL STOCK	6	P20,000,000	P20,000,000
ADDITIONAL PAID-IN CAPITAL	6	16,500	16,500
DEFICIT)			
Beginning balance		(1,807,996)	(332,461)
Net loss/total comprehensive loss for the year		(576,734)	(1,475,535)
	6	(2,384,730)	(1,807,996)
		P17,631,770	P18,208,504

See Notes to the Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)
STATEMENTS OF CASH FLOWS

	<i>Note</i>	Years Ended December 31	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P441,312)	(P1,343,497)
Adjustments for:			
Interest income	16	(209,647)	(254,096)
Depreciation and amortization	12, 13	218,530	387,693
Impairment loss on accounts receivable	9	252,830	-
Operating loss before working capital changes		(179,599)	(1,209,900)
Decrease (increase) in:			
Short-term investments		2,000,000	(3,201,484)
Accounts receivable		(2,625,847)	777,791
Loans and receivables		(2,191)	143,077
Prepayment and other current assets		(688,695)	(699,208)
Increase (decrease) in:			
Payable to insurance companies		12,500,180	2,214,895
Accruals and other payables		295,717	122,815
Advances from a stockholder		-	(421,934)
Cash generated from (used in) operations		11,299,565	(2,273,948)
Interest received	16	209,647	254,096
Income taxes paid	17	(135,422)	(132,038)
Net cash provided by (used in) operating activities		11,373,790	(2,151,890)
CASH FLOW FROM INVESTING ACTIVITY			
Acquisition of computer software	13	(24,317)	(31,098)
Net cash used in investing activity		(24,317)	(31,098)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		11,349,473	(2,182,988)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,881,811	6,064,799
CASH AND CASH EQUIVALENTS AT END OF YEAR		P15,231,284	P3,881,811

See Notes to the Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Fubon Insurance Broker (Philippines) Corporation (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR) on January 11, 2013 and February 1, 2013, respectively. The Company is a wholly-owned subsidiary of Fubon Insurance Co., Ltd. (the "Parent Company"), a company incorporated in Taiwan.

The ultimate parent company is Fubon Financial Holding Co., Ltd.

The Company is primarily engaged in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance in the Philippines, on behalf of an insured, for compensation, commission or other thing of value.

On January 1, 2016, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Broker with Certificate of Authority No. IB-31-2016-R valid until December 31, 2018.

The registered principal office address of the Company is 7th Floor, Pioneer House, 108 Paseo de Roxas, Makati City.

Status of Operations

The Company has a total equity of P17.63 million and P18.21 million as at December 31, 2017 and 2016, respectively. The decrease in total equity is attributable to the net losses incurred in 2017 and 2016 amounting to P0.58 million and P1.48 million, respectively. However, this condition do not indicate material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. Also, as at December 31, 2017 and 2016, the Company's current liabilities of P19.31 million and P6.51 million, respectively, did not exceed its current assets amounting to P36.43 million and P24.02 million, respectively. In line with this, the management upholds marketing strategies of the insurance products it offers in behalf of the insurance companies it represents to increase commission income for the year. Obtaining more clients for the next year was planned by the Company.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS, which are issued by the Financial Reporting Standards Council (FRSC), consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The Company qualifies as a small and medium-sized entity (SME) based on the criteria set by the SEC. However, as provided under the SEC Notice dated October 11, 2010 and Securities Regulation Code Rule 68, As Amended, the Company availed of the exemption from the mandatory adoption of the PFRS for SME on the basis that the Company is a subsidiary of a Parent Company reporting under full IFRS.

The accompanying financial statements of the Company were authorized for issue by the Board of Directors (BOD) on April 13, 2018.

Basis of Measurement

The financial statements of the Company have been prepared on a historical cost basis of accounting.

Functional and Presentation Currency

The financial statements of the Company are presented in Philippine Peso (PHP), which is the Company's functional currency. All financial information presented in PHP have been rounded off to the nearest peso, except otherwise indicated.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Adoption of Amendments to Standards

The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Company has no outstanding liability arising from financing activities during the year.

Financial Instruments

Date of Recognition

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

Initial Recognition

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, available-for-sale (AFS) securities, held to maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangement. Any interest, dividends, realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

As at December 31, 2017 and 2016, the Company has no financial assets and financial liabilities at FVPL, AFS securities and HTM investments.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of "Other income" in profit or loss. Losses arising from the impairment of such loans and receivables are recognized in profit or loss.

Financial assets included under this category include cash and cash equivalents, short-term investments, accounts receivable, loans and receivables and refundable deposits under prepayment and other current assets.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Other Financial Liabilities

Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities. These are classified as such when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of "Interest expense" under operating expense in profit or loss.

This category includes payable to insurance companies and accruals and other payables (excluding liabilities to government agencies).

Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations from an active market (bid price for financial assets and ask price for financial liabilities), without any deduction for transaction costs.

When measuring the fair value of assets or liabilities, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

Amortized Cost Measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition as adjusted for principal repayments, the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount and direct transaction costs, and any reduction for impairment.

"Day 1" Profit

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

Impairment of Financial Assets

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

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

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of the loan's carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows excluding future credit losses that have not been incurred. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateral-dependent loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account. Any impairment loss determined is charged to profit or loss. For an impaired loan, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the allowance for impairment decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to profit or loss, to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

Where loans and receivables has been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Offsetting of Financial Instruments

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

Income and expenses are presented on a net basis only when permitted by PFRS, such as in the case of any realized gains or losses arising from the Company's trading activities.

Prepayments

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment loss, if any. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the different categories of property and equipment are as follow:

	<u>Number of Years</u>
Office equipment	5
Office furniture and fixtures	5

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

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss in the period when incurred.

Major renovations are depreciated over their respective remaining useful lives or the remaining useful life of the related asset, whichever is shorter.

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment, if any.

Intangible assets with definite lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets, which represent computer software acquisition costs, have an estimated useful life of three (3) years.

Intangible assets are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets (such as property and equipment and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or fair value less costs of disposal and its value in use and is determined where the carrying amount of an asset exceeds its 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Payable to Insurance Companies

Payable to insurance companies pertains to the total amount of premiums not yet remitted by the Company but already collected on behalf of the insurance providers.

Capital Stock

Capital stock is measured at par value of all shares issued and outstanding. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

Additional paid-in capital represents the difference between the proceeds and par value of the shares issued.

Deficit

Deficit includes all current and prior period results of operations as disclosed in the statement of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Commission Income is recognized when services are rendered or accrued where there is a reasonable degree of certainty as to its collectability. Commission income is accrued based on premium billings prepared upon issuance of policies by the insurer. The amount of income is adjusted when there are any cancellations or additions in the insurance coverage.

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

Other Income is recognized when earned.

Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized upon utilization of the service or at the date they are incurred.

Employee Benefits

Short-term Employee Compensation

Short-term employee compensation is expensed as the related service is provided. A salaries and employee benefits payable is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay the amount as a result of services provided by the employee and the obligation can be estimated reliably.

Retirement Benefit Obligation

As at December 31, 2017 and 2016, the amount of liability for retirement benefit obligation is nil since the Company has just started its commercial operations in 2013 and the expected amount of liability is not significant.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where a change is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases - Company as a Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments of the Company are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. On the other hand, if the Company is the lessor, operating lease receipts are recognized as income in profit or loss on a straight-line basis over the lease term.

Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. This includes final tax and regular corporate income tax (RCIT) or minimum corporate income tax (MCIT).

RCIT is computed based on 30% taxable income from all sources within and outside the Philippines while MCIT shall be imposed wherever the company has a zero or negative taxable net income or whenever the amount of MCIT is greater than the RCIT.

Deferred Taxes

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

Deferred tax liabilities (DTL) are recognized for all taxable temporary differences. Deferred tax assets (DTA) are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry-forward of unused tax credits from unused net operating loss carry-over (NOLCO) can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

Final Tax

Interest income from cash in banks and other financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in "Income tax expense" account in profit or loss.

Foreign Currency Transactions

Foreign exchange differences arising from foreign currency transactions and translations of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates changes as foreign exchange gain (loss) under "Other income" in profit or loss.

The book of accounts of the Company is maintained in Philippine peso with certain foreign currency transactions. The foreign currency income and expenses in the books of accounts are translated into its equivalent in Philippine peso based on the exchange rates prevailing at the time of transactions. The foreign currency assets and liabilities at the reporting dates are translated into Philippine peso using the Bangko Sentral ng Pilipinas (BSP) closing rate at the reporting date.

Related Party Transactions and Relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, directors or its stockholder.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of assets 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 some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in profit or loss, net of any reimbursement. 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 assessment 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.

Contingencies

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

Events After the Reporting Date

Any event after the reporting date that provides additional information about the Company's financial position at the reporting date (adjusting event) is reflected in the financial statements. Any event after the reporting date that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- Philippine Interpretation IFRIC-22 *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is currently assessing the potential impact of IFRIC 22 and plans to adopt this new standard on Foreign Currency Transactions and Advance Consideration on the required effective date.

- Philippine Interpretation IFRIC-23 *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 Income Taxes when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company is currently assessing the potential impact of IFRIC 23 and plans to adopt this new standard on Uncertainty over Income Tax Treatments on the required effective date.

4. Critical Accounting Judgments and Estimates

The preparation of financial statements in compliance with PFRS necessitates the use of judgments, estimates, and assumptions. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as of the reporting date, the actual outcome could differ from these estimates.

The following are the critical judgments, key estimates and assumptions that have a significant risk of material adjustments to the carrying amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities.

Judgments

(a) *Determination of Functional Currency*

Based on the economic environment in which the Company operates, the functional currency of the Company has been determined to be the Philippine peso. It is the currency that mainly influences economic value of the income and costs arising from the Company's operations.

(b) *Determining whether the Company is Acting as Principal or an Agent*

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility on providing the services;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

The Company has determined it is acting as agent in its revenue arrangements.

(c) *Determination of Operating Lease - Company as a Lessee*

The Company leases the premises of its office space and use of car services. The office space rental has a maturity of one year while the car rental has a maturity of two years, both renewable under certain terms and conditions.

The Company has determined, based on the evaluation of the terms and conditions of the lease agreements, that all the significant risks and rewards of ownership are retained by the Lessor. The contracts of lease are considered as operating leases by the Company since these do not transfer substantially all the risks and rewards incidental to ownership.

(d) *Classification of Financial Assets and Liabilities*

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are classified as financial assets at FVPL, AFS securities, HTM investments, and loans and receivables. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Estimates

(a) *Impairment of Financial Assets*

The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2017 and 2016, the Company recognized an impairment loss amounting to P0.25 million and nil, respectively (see Note 9).

The following are other estimates that do not have a significant risk of material adjustments to the carrying amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities.

(a) *Estimating Useful Lives of Property and Equipment and Intangible Assets*

The Company estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment and intangible assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and intangible assets would increase recorded operating expenses and decrease noncurrent assets.

In 2017 and 2016 the Company incurred depreciation of property and equipment amounting to P0.20 million and amortization of the intangible assets amounting to P0.02 million and P0.20 million, respectively.

As at December 31, 2017 and 2016, property and equipment, net of accumulated depreciation, amounted to P0.35 million and P0.54 million, respectively. Intangible assets, net of accumulated amortization, amounted to P0.16 million as at December 31, 2017 and 2016 (see Notes 12 and 13).

(b) Realizability of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses 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 deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

Based on management's expectation of its future taxable income, the Company did not recognize deferred tax assets on NOLCO and allowance for impairment amounting to P0.63 million for the year ended December 31, 2017 and NOLCO amounting to P0.55 million for the year ended December 31, 2016 (see Note 17).

(c) Impairment of Non-financial Assets

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The net recoverable amount of a non-financial asset is the greater of its fair value less costs of disposal and its value in use.

Management assessed that there are no impairment indicators affecting its non-financial assets as at December 31, 2017 and 2016.

5. Fair Value Measurement

The carrying values of the Company's financial assets, which are composed of cash and cash equivalents, short-term investments, accounts receivable, loans and receivables and refundable deposits under prepayment and other current assets, and other financial liabilities, which are composed of payable to insurance companies and accrual and other payables (excluding liabilities to government agencies), represent their respective fair values as of the reporting dates due to their short-term nature.

6. Capital and Financial Risk Management

Governance Framework

The primary objective of the Company's financial risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management system.

The BOD has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management is coordinated with senior management, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

Financial Risk Management

The Company is exposed to financial risks through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

The Company's principal financial assets include cash and cash equivalents, short-term investments, accounts receivable, loans and receivables, refundable deposits, payable to insurance companies, accruals and other payables (excluding liabilities to government agencies) and advances from stockholder which are used to facilitate daily operations.

There were no changes on the Company's financial risk management process from previous year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company trades only with recognized and creditworthy third parties. It is the Company's practice that all insurance providers who wish to conduct business with the Company are subject to the Company's accreditation procedures. In addition, accounts receivable are monitored on an ongoing basis thus, exposure to bad debts is reduced.

The table below shows the maximum exposure to credit risk as at December 31:

	<i>Note</i>	2017	2016
Cash and cash equivalents	7	P15,231,284	P3,881,811
Short-term investments	8	12,000,000	14,000,000
Accounts receivable	9	5,816,912	3,191,065
Refundable deposits*	11	459,611	240,925
Loans and receivables	10	103,488	101,297
		P33,611,295	P21,415,098

*Included under Prepayment and other current assets

The table below shows the credit quality by class of financial assets, based on the Company's credit rating system:

	2017			Total
	Neither Past Due nor Impaired High Grade	Past Due but Not Impaired Standard Grade	Impaired Low Grade	
Cash and cash equivalents	P15,231,284	P -	P -	P15,231,284
Short-term investments	12,000,000	-	-	12,000,000
Accounts receivable	1,934,114	3,629,968	252,830	5,816,912
Refundable deposits*	459,611	-	-	459,611
Loans and receivables	103,488	-	-	103,488
	P29,728,497	P3,629,968	P252,830	P33,611,295

*Included under Prepayment and other current assets

	2016			Total
	Neither Past Due nor Impaired High Grade	Past Due but Not Impaired Standard Grade	Impaired Low Grade	
Cash and cash equivalents	P3,881,811	P -	P -	P3,881,811
Short-term investments	14,000,000	-	-	14,000,000
Accounts receivable	878,113	2,312,952	-	3,191,065
Refundable deposits*	240,925	-	-	240,925
Loans and receivables	101,297	-	-	101,297
	P19,102,146	P2,312,952	P -	P21,415,098

*Included under Prepayment and other current assets

The Company uses a credit grading system based on the borrowers and counterparties overall credit readiness as described below:

- *High Grade* - These are financial assets which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security, if any, on the financial assets are readily enforceable).
- *Standard Grade* - These are financial assets with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has adequately been mitigated. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.
- *Low Grade* - These are financial assets which are deemed uncollectible or doubtful of collection.

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

The carrying amount of accounts receivable represents the maximum credit exposure which is aged as follows:

	2017	2016
Current	P1,934,114	P878,113
Past due but not impaired:		
31-60 days	203,615	299,962
61 to 90 days	137,395	427,501
Over 90 days	3,288,958	1,585,489
Impaired low grade	252,830	-
	3,882,798	2,312,952
	P5,816,912	P3,191,065

As at December 31, 2017 and 2016, the Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments.

Liquidity Risk

Liquidity risk pertains to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company's approach in managing liquidity risk is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains cash to meet its liquidity requirements for up to 60-day period. Excess cash are invested in time deposits or short-term marketable securities.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Maturity Profiles

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

	December 31, 2017		
	One Year or Less	More than 1 Year to 3 Years	Total
Financial Assets			
Cash and cash equivalents	P15,231,284	P -	P15,231,284
Short-term investments	12,000,000	-	12,000,000
Accounts receivable-net	5,564,082	-	5,564,082
Refundable deposits*	459,611	-	459,611
Loans and receivables	103,488	-	103,488
Total Financial Assets	33,358,465	-	33,358,465
Financial Liabilities			
Payable to insurance companies	17,817,324	-	17,817,324
Accruals and other payables**	748,751	-	748,751
Total Financial Liabilities	18,566,075	-	18,566,075
Net Liquidity	P14,792,390	P -	P14,792,390

*Included under Prepayment and other current assets

**Excluding government payables

	December 31, 2016		
	One Year or Less	More than 1 Year to 3 Years	Total
Financial Assets			
Cash and cash equivalents	P3,881,811	P -	P3,881,811
Short-term investments	14,000,000	-	14,000,000
Accounts receivable	3,191,065	-	3,191,065
Refundable deposits*	240,925	-	240,925
Loans and receivables	101,297	-	101,297
Total Financial Assets	21,415,098	-	21,415,098
Financial Liabilities			
Payable to insurance companies	5,317,144	-	5,317,144
Accruals and other payables**	612,651	-	612,651
Total Financial Liabilities	5,929,795	-	5,929,795
Net Liquidity	P15,485,303	P -	P15,485,303

*Included under Prepayment and other current assets

**Excluding government payables

Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks:

- Foreign Exchange Rates (currency risk);
- Market Interest Rates (interest rate risk); and
- Market Prices (price risk).

Foreign Exchange Rates Risk

Currency risk is the risk that the values of foreign currency-denominated financial assets and financial liabilities in terms of the Company's functional currency will fluctuate and result to losses due to changes in foreign exchange rates. The Company is exposed mainly to foreign currency risk on cash in banks that are denominated in currencies other than Philippine peso.

The table below summarizes the Company's exposure to foreign currency risk as at December 31, 2017 and 2016, categorized by currency:

	2017		2016	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Cash in banks	104,065	5,194,925	45,659	2,274,275

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rate used was P49.92 and P49.81 to US\$1.00 as at December 29, 2017 and 2016, respectively.

The following table shows the sensitivity to a reasonably possible change in U.S. dollar exchange rate, with all other variables held constant of the Company's profit before tax and its equity.

	Peso Appreciates (Depreciates)	Increase (Decrease) Profit Before Tax	Increase (Decrease) on Equity
2017	+0.22%	1,992	(1,274)
	-0.22%	(1,992)	1,274
2016	+5.61%	(127,587)	(89,311)
	-5.61%	127,587	89,311

The assumed fluctuation rate is based on historical average exchange rate of Philippine Peso to U.S. dollar published by the Bangko Sentral ng Pilipinas.

There is no impact on the Company's equity other than those already affecting profit or loss.

Market Interest Rates Risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant market risk in its short-term investments since it has fixed rates of interest and the Company has not entered into derivative transactions to manage interest rate risk.

Capital Management

The Company's objectives when managing capital is to maintain a capital structure that provides a balance between the risk associated with higher level of borrowing and the advantages and security of a sound capital position.

To substantially meet these capital management objectives, the Company sets a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact of surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels.

The composition of the Company's total capital is as follows:

	2017	2016
Capital stock - P100 par value		
Authorized - 200,000 shares		
Issued and outstanding - 200,000 shares	P20,000,000	P20,000,000
Additional paid-in capital	16,500	16,500
Retained earnings	(2,384,730)	(1,807,996)
	P17,631,770	P18,208,504

The salient feature of the Company's common stock is the voting right on all corporate matters.

As at December 31, 2017 and 2016 there is no change in the capital management policy of the Company.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. The debt to equity ratio as at December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Total debt	P19,308,159	P6,512,262
Total equity	17,631,770	18,208,504
Debt-to-equity ratio	1.10:1	0.36:1

Required Bond for Insurance Brokers

Pursuant to Republic Act No. 1067 enacted on August 15, 2013, every applicant for insurance broker's license shall file with the IC and shall there after maintain in force while so licensed, a bond in favor of the people of the Republic of the Philippines executed by a company authorized to become surety upon official recognizances, stipulations, bonds and undertakings. The bond shall be in such amount as may be fixed by the Commissioner, but in no case less than five hundred thousand pesos (P500,000), and shall be conditioned upon full accounting and due payment to the person entitled there to of funds coming into the broker's possession through insurance transactions under license.

The Company has complied with the above requirement as at December 31, 2017 and 2016.

7. Cash and Cash Equivalents

Cash pertains to deposits in banks which earns interest at prevailing bank deposit rates ranging from 0.25% to 0.35% per annum amounting to P15.23 million and P3.88 million as at December 31, 2017 and 2016, respectively.

Interest income from cash in bank presented under "Other income" account in the statements of comprehensive income amounted to P0.01 million and P0.07 million in 2017 and 2016, respectively.

8. Short-term Investments

This account pertains to investment in time deposit amounting to P12.00 million and P14.00 million with original maturity of one (1) year and earns interest ranging from 1.25% to 1.60% and 1.50% to 1.90% in 2017 and 2016, respectively. Interest income earned from short-term investment amounted to P0.20 million and P0.18 million in 2017 and 2016, respectively.

9. Accounts Receivable - net

As at December 31, this account consists of:

	<i>Note</i>	2017	2016
Commission receivable		P5,217,066	P2,741,796
Interest receivable		118,776	294,571
Advances to customers		481,070	154,698
		5,816,912	3,191,065
Allowance for Impairment Loss		(252,830)	-
	6	P5,564,082	P3,191,065

Commission receivable represents unpaid commissions from the Company's direct business and receivable from insurers based on premiums written.

Interest receivable represents interest on cash and cash equivalents and on short-term investments.

Advances to customers refers to receivables from policyholders on premiums advanced by the Company to insurance companies.

As at December 31, 2017 and 2016, allowance for impairment loss amounted to P0.25 million and nil, respectively. There were no write-offs in 2017.

10. Loans and Receivables

This account refers to the cash advances to officers and employees made by the Company in behalf of the officers and employees to be liquidated through regular deductions from their salaries amounting to P0.10 million as at December 31, 2017 and 2016.

11. Prepayment and Other Current Assets

As at December 31, this account consists of:

	<i>Note</i>	2017	2016
Creditable withholding tax		P2,136,938	P2,113,536
Excess tax credit		775,160	18,561
Refundable deposits	6	459,611	240,925
Prepaid expenses		90,820	342,910
Input value added tax (VAT)		71,263	129,165
		P3,533,792	P2,845,097

Creditable withholding tax pertains to tax withheld by the insurers from total commission payments received by the Company.

Refundable deposits pertains to the refundable security deposits paid by the Company for their office rental.

Prepaid expenses pertain to deposits made on the Company's office and car rental amortized within a 12-month period. It also includes prepayments for Health Maintenance Organization, insurance purchased and registration expense on newspaper publications.

12. Property and Equipment - net

As at December 31, this account consists of:

	As at December 31, 2017		
	Office Equipment	Office Furniture and Fixtures	Total
Cost			
Balance as at January 1	P520,580	P489,674	P1,010,254
Additions	-	-	-
Balance as at December 31	520,580	489,674	1,010,254
Accumulated Depreciation			
Balance as at January 1	289,230	178,452	467,682
Depreciation for the year	98,880	97,935	196,815
Balance as at December 31	388,110	276,387	664,497
Net Book Value as at December 31	P132,470	P213,287	P345,757

	As at December 31, 2016		
	Office Equipment	Office Furniture and Fixtures	Total
Cost			
Balance as at January 1	P520,580	P489,674	P1,010,254
Additions	-	-	-
Balance as at December 31	520,580	489,674	1,010,254
Accumulated Depreciation			
Balance as at January 1	191,397	80,517	271,914
Depreciation for the year	97,833	97,935	195,768
Balance as at December 31	289,230	178,452	467,682
Net Book Value as at December 31	P231,350	P311,222	P542,572

13. Intangible Assets - net

As at December 31, this account consists of:

	2017	2016
Cost		
Balance at January 1	P1,655,957	P1,624,859
Additions during the year	24,317	31,098
Balance at December 31	1,680,274	1,655,957
Accumulated Amortization		
Balance at January 1	1,497,033	1,305,108
Amortization for the year	21,715	191,925
Balance at December 31	1,518,748	1,497,033
Net book value at December 31	P161,526	P158,924

The additions for the Intangible assets account pertain to the additional costs incurred in the development of the website of the Company.

14. Payable to Insurance Companies

This account represents the amount collected by the Company from policyholders to be subsequently remitted to various insurers which the Company represents amounting to P17.82 million and P5.32 million as at December 31, 2017 and 2016, respectively.

15. Accruals and Other Payables

As at December 31, this account consists of:

	2017	2016
Output VAT payable	P581,643	P477,230
Accrued expenses	513,218	509,260
Accounts payable	395,974	208,628
	P1,490,835	P1,195,118

Output VAT payable consists of the value added tax from the Company's net commission income.

Accrued expenses consist of accruals made for utilities such as telephone and communication, electricity and water.

Accounts payable pertains to amount owed by the Company to its suppliers for various expenses necessary for their operation.

16. Commission and Other Income

Commission income is earned from providing brokerage services to insurance companies in the ordinary course of business, whether for insurance, health maintenance plans, fire insurance, motor insurance and other related products.

Commission income earned in 2017 and 2016 amounted to P11.27 million and P8.84 million, respectively. On the other hand, commission discount given to clients amounted to P0.45 million and P0.19 million in 2017 and 2016, respectively.

The Company's other income consists of:

	<i>Note</i>	2017	2016
Interest income	7, 8	P209,647	P254,096
Other income		27,000	688,501
Foreign exchange gain (loss)		(95,105)	107,449
		P141,542	P1,050,046

Other income of the Company includes contingent profit for reaching a threshold of premiums written as agreed between the Company and the insurers amounting to P0.03 million and P0.27 million for the years ended December 31, 2017 and 2016, respectively.

Interest income pertains to the income earned from cash deposits in bank and short-term investment of the Company (see Notes 7 and 8).

17. Income Taxes

The components of the Company's income tax expense are as follows:

	2017	2016
Current	P93,500	P81,390
Final	41,922	50,648
	P135,422	P132,038

Income tax expense includes MCIT, as discussed below and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from deposits in banks.

The reconciliation of the income tax expense at statutory income tax rate to the effective income tax expense recognized in profit or loss is as follows:

	2017	2016
(Loss) before income tax	(P441,312)	(P1,343,497)
Income tax expense at statutory rate	(P132,394)	(P403,049)
Additions to (reductions in) income tax resulting from the tax effects of:		
Interest income subject to final tax	(62,894)	(76,229)
Final taxes paid	41,922	50,648
Non-deductible representation expenses	212,939	165,772
Changes in unrecognized DTA	75,849	394,896
Effective income tax	P135,422	P132,038

The Company's MCIT amounting to P0.08 million which will expire in 2019 can be claimed as a credit against future income tax payable.

The Company believes that certain future deductible items may not be realizable in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Company did not recognize deferred tax assets pertaining to tax benefits from NOLCO and allowance for impairment amounting to P0.63 million for the year ended December 31, 2017 and NOLCO amounting to P0.55 million for the year ended December 31, 2016.

Details of the Company's NOLCO which can be carried forward and can be claimed as deduction against taxable income are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2017	P -	P -	P -	P -	2020
2016	1,045,020	-	-	1,045,020	2019
2015	794,725	-	-	794,725	2018
Total	P1,839,745	P -	P -	P1,839,745	

18. Salaries and Employee Benefits

This account pertains to the salary of employees including the Company's contributions to the Social Security Services (SSS), Pag-IBIG and Philhealth for the employment benefits and different benefits received by the employees such as monthly transportation and travel benefits, communication allowance etc.

	2017	2016
Salaries, wages and allowances	P4,247,321	P3,324,517
Other benefits	608,685	541,795
	P4,856,006	P3,866,312

19. Operating Lease

The Company has entered into various operating lease agreements for car and office rental which are renewable upon mutual written agreement of the parties. Rent expense amounted to P2.90 million and P2.89 million in 2017 and 2016, respectively. The basic lease period ranges from one (1) to two (2) years.

Future minimum lease payments are payable as follows:

	2017	2016
Within one year	P1,444,442	P1,575,991
After one year but not more than five years	480,611	-
	P1,925,053	P1,575,991

20. Related Party Transactions

For the years 2017 and 2016, the Company has no advances from/to its stockholder.

Compensation of Key Management Personnel (KMP)

Salaries and employees benefits of KMP of the Company amounted to P2.75 million and P2.07 million in 2017 and 2016, respectively. KMP includes the Company's President and Directors.

21. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, the Company is required by the BIR to provide in the notes to the financial statements certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the tax information required for the taxable year ended December 31, 2017:

A. VAT

1. Output VAT	P581,642
Account title used:	
Basis of the Output VAT:	
Vatable sales	P4,847,020
Exempt sales	-
Zero rated sales	-
	P4,847,020
2. Input VAT	
Beginning of the year	P129,165
Current year's domestic purchases:	
a. Services lodged under cost of goods sold	253,993
Claims for tax credit/refund and other adjustments	(311,895)
Balance at the end of the year	P71,263

B. Withholding Taxes

Withholding tax for compensation	P809,347
Expanded withholding taxes	129,076
	P938,423

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account	
License and permit fees	P136,252

D. Tax Assessment and Tax Cases

The Company has no pending tax assessment or tax cases.