

# COVER SHEET

## For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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

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Form Type

A A F S

Department requiring the report

N/A

Secondary License Type, If Applicable

N/A

### COMPANY INFORMATION

Company's email Address

fubon.com.ph

Company's Telephone Number/s

812-2875

Mobile Number

N/A

No. of Stockholders

5

Annual Meeting (Month / Day)

2<sup>nd</sup> Friday of June

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Hong-Ming Chen

Email Address

gavinchen1127@gmail.com

Telephone Number/s

812-2875

Mobile Number

N/A

### CONTACT PERSON'S ADDRESS

121 Unit B E Rada St., Legazpi Village, 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.*

*Note 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, 2018 and 2017**



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
Email ph-inquiry@kpmg.com.ph

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Fubon Insurance Broker (Philippines) Corporation**  
2nd 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, 2018 and 2017, 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, 2018 and 2017, 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.



## *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 basic 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements.

In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

IC Accreditation No. F-2017-017-O, valid until November 26, 2020

SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-38-2016

Issued December 16, 2016; valid until December 15, 2019

PTR No. MKT 7333621

Issued January 3, 2019 at Makati City

April 10, 2019

Makati City, Metro Manila



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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**  
2nd 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, 2018, on which we have rendered our report dated April 10, 2019.

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.

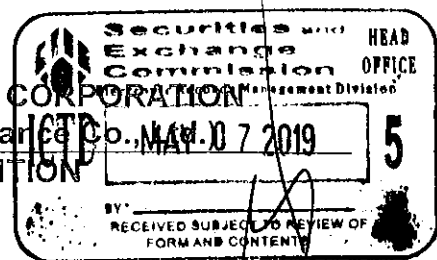
**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

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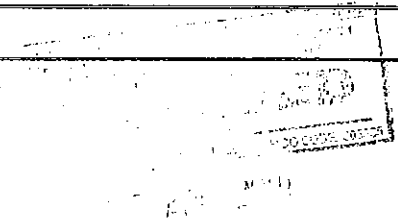
**FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION**  
**(A Wholly-owned Subsidiary of Fubon Insurance Co., Ltd.)**  
**STATEMENTS OF FINANCIAL POSITION**



December 31

	<i>Note</i>	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	7	P4,551,754	P15,231,284
Investment securities	8	11,000,000	12,000,000
Accounts receivable - net	9	4,012,604	5,564,082
Advances to officers and employees	10	221,238	103,488
Prepayment and other current assets	11	5,156,791	3,533,792
<b>Total Current Assets</b>		<b>24,942,387</b>	<b>36,432,646</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	12	190,326	345,757
Intangible assets - net	13	165,964	161,526
<b>Total Noncurrent Assets</b>		<b>356,290</b>	<b>507,283</b>
<b>Total Assets</b>		<b>P25,298,677</b>	<b>P36,939,929</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payable to insurance companies	14	P5,785,289	P17,817,324
Accruals and other payables	15	1,397,198	1,490,835
<b>Total Current Liabilities</b>		<b>7,182,487</b>	<b>19,308,159</b>
<b>Equity</b>			
Capital stock		20,000,000	20,000,000
Additional paid-in capital		16,500	16,500
Deficit		(1,900,310)	(2,384,730)
<b>Total Equity</b>	6	<b>18,116,190</b>	<b>17,631,770</b>
		<b>P25,298,677</b>	<b>P36,939,929</b>

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	2018	2017
<b>REVENUES</b>			
Commission income	16	P13,716,886	P11,274,906
Commission discount		(296,364)	(446,258)
		<b>13,420,522</b>	<b>10,828,648</b>
<b>OPERATING EXPENSES</b>			
Salaries and employee benefits	18	5,054,525	4,856,006
Rent	19	2,980,042	2,904,607
Professional fees		970,660	301,872
Representation and entertainment		865,484	818,351
Communication, light and water		777,775	715,774
Transportation and travel		662,880	606,248
Insurance expense		203,138	169,509
Depreciation and amortization	12, 13	173,293	218,530
Repairs and maintenance		142,035	18,690
Taxes and licenses		134,861	136,252
Registration		98,148	79,211
Supplies		78,739	35,904
Referral fees		10,452	-
Bad debts expense	9	-	252,830
Association dues		-	51,750
Miscellaneous		332,823	245,968
		<b>12,484,855</b>	<b>11,411,502</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>935,667</b>	<b>(582,854)</b>
<b>OTHER INCOME</b>	16	<b>657,063</b>	<b>141,542</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>1,592,730</b>	<b>(441,312)</b>
<b>INCOME TAX EXPENSE</b>	17	<b>675,573</b>	<b>135,422</b>
<b>NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P917,157</b>	<b>(P576,734)</b>

See Notes to the Financial Statements.

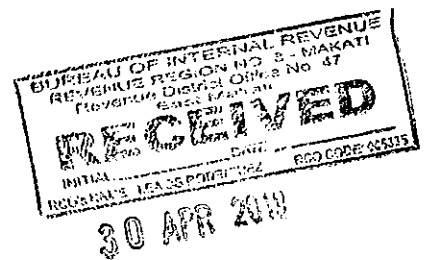
30 APR 2019



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

	Note	Years Ended December 31	
		2018	2017
<b>CAPITAL STOCK</b>	6	P20,000,000	P20,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	6	16,500	16,500
<b>DEFICIT</b>			
Balance at beginning of year		(2,384,730)	(1,807,996)
PFRS 9 transition adjustment	9	(432,737)	-
Balance at beginning of year, as restated		(2,817,467)	(1,807,996)
Total comprehensive income (loss) for the year		917,157	(576,734)
Balance at end of year	6	(1,900,310)	(2,384,730)
		<b>P18,116,190</b>	<b>P17,631,770</b>

*See Notes to the Financial Statements.*



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

**STATEMENTS OF CASH FLOWS**

		Years Ended December 31	
	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		P1,592,730	(P441,312)
Adjustments for:			
Interest income	16	(198,256)	(209,647)
Depreciation and amortization	12, 13	173,293	218,530
Unrealized foreign exchange (gain)/loss		(194,686)	95,105
Reversal of loss allowance	9	(189,416)	-
Impairment loss on accounts receivable	9	-	252,830
Operating income (loss) before working capital changes		1,183,665	(84,494)
Decrease (increase) in:			
Accounts receivable		1,517,082	(2,742,077)
Advances to officers and employees	10	(117,750)	(2,191)
Prepayment and other current assets	11	(1,622,999)	(688,695)
Increase (decrease) in:			
Payable to insurance companies	14	(12,032,035)	12,500,180
Accruals and other payables	15	(93,637)	295,717
Cash (used in) generated from operations		(11,165,674)	9,278,440
Interest received	16	198,256	209,647
Income taxes paid	17	(675,573)	(135,422)
Net cash (used in) provided by operating activities		(11,642,991)	9,352,665
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>			
Acquisition of computer software	13	(22,300)	(24,317)
Proceeds from investment securities	8	1,000,000	2,000,000
Net cash provided by investing activities		977,700	1,975,683
<b>NET (DECREASE) INCREASE IN CASH</b>		<b>(10,665,291)</b>	<b>11,328,348</b>
<b>EFFECT OF EXCHANGE RATE ON CASH</b>		<b>(14,239)</b>	<b>21,125</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>15,231,284</b>	<b>3,881,811</b>
<b>CASH AT END OF YEAR</b>	7	<b>P4,551,754</b>	<b>P15,231,284</b>

See Notes to the Financial Statements.

30 APR 2019



**Fubon Insurance  
Broker**

**Fubon Insurance Broker (Philippines) Corporation**  
7F Pioneer House  
108 Paseo De Roxas, Legaspi Village, Makati City  
Tel (632) 812-7777 Local 720 Fax (632) 812-4605  
Direct Line (632)812-2875

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **Fubon Insurance Broker (Philippines) Corporation** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditors, appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**Shun-Chih Yen**  
Chairman of the Board

**Hong-Ming Chen**  
President

**Ming-Hui Yang**  
Treasurer

Signed this 10th day of April 2019

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2019, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Broker with Certificate of Authority No. IB-16-2019-R valid until December 31, 2021.

The registered principal office address of the Company is 2<sup>nd</sup> Floor, Pioneer House, 108 Paseo de Roxas, Makati City.

**2. Basis of Preparation**

Statement of Compliance

The accompanying 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, 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 SMEs on the basis that the Company is a subsidiary of a Parent Company reporting under full IFRS.

This is the first set of the Company's financial statements in which PFRS 9, *Financial Instruments* and PFRS, 15 *Revenue from Contracts with Customers* have been applied.

Details of the Company's significant accounting policies are included in Note 3.

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.

#### Approval of Issuance of Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2019.

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### **3. Significant Accounting Policies**

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

#### Adoption of New Standards, Amendments to Standards and Interpretation

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting standards, amendments to standards and interpretation starting January 1, 2018. Adoption of these new standards, amendments to standards and interpretation did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- PFRS 9, *Financial Instruments*. PFRS 9 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 that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward looking expected credit loss (ECL) model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. 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.

#### Classification and Measurement of Financial Instruments

The Company elected to apply the modified retrospective approach in applying PFRS 9. Due to the transition method chosen by the Company, comparative information throughout these financial statements has generally been restated to reflect its requirements.

The following table and the accompanying notes below explain the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018:

	Note	Classification		Carrying Amount	
		Under PAS 39	Under PFRS 9	Under PAS 39	Under PFRS 9
<b>Financial assets</b>					
Cash		Loans and receivables	Amortized cost	P15,231,284	P15,231,284
Investment securities	7	Loans and receivables	Amortized cost	12,000,000	12,000,000
Accounts receivables	8	Loans and receivables	Amortized cost	5,564,082	5,564,082
Advances to officers and employees	9	Loans and receivables	Amortized cost	103,488	103,488
Refundable deposits*	10	Loans and receivables	Amortized cost	459,611	459,611
	11			P33,358,465	P33,358,465
<b>Financial liabilities</b>					
Payable to insurance companies		Other financial liabilities	Other financial liabilities	P17,817,324	P17,817,324
Accruals and other payables**	14	Other financial liabilities	Other financial liabilities	748,751	748,751
	15			P18,566,075	P18,566,075

\*Included under Prepayment and other current assets (see Note 11).

\*\*Excluding taxes and social security payable amounting to P0.74 million (see Note 15).

The business model assessment within which the financial assets are held were determined by management based on the facts and circumstances that existed at the date of initial application (i.e. January 1, 2018).

The adoption of the classification and measurement guidance of PFRS 9 had no significant effect on the carrying amounts of the financial assets and liabilities as at January 1, 2018 and related solely to the new categories under PFRS 9.

Cash, investment securities, advances to officers employees, accounts receivables and refundable deposits under "Prepayment and other current assets" account in the statements of financial position that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost. While, the classification of the financial liabilities in PAS 39 remained the same under PFRS 9.

#### Impairment of Financial Assets at Amortized Cost

Under PFRS 9 impairment model, ECL are measured as either 12-month ECL or lifetime credit losses. This is only applicable to financial assets that are debt instruments classified as fair value through other comprehensive income (FVOCI) or amortized cost, while investments in equity instruments are outside the scope of the new impairment requirements, because under PFRS 9, they are accounted for either as financial assets at fair value through profit or loss (FVTPL) or FVOCI. Accordingly, equity investments in the scope of PFRS 9 are no longer tested for impairment. The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9. The Company's accounting policy for setting impairment is discussed in Note 4.

#### Effects of Transition on the Opening Balance of the Retained Earnings

Considering the insignificant impact of transition to PFRS 9 on the opening balance of the retained earnings, the Company used an exemption not to restate comparative information for prior periods with respect to classification and measurement, including impairment requirements. Therefore, comparative periods have been restated only for retrospective application of the financial assets and liabilities. Differences in the carrying amounts of financial assets and liabilities, if any, and the ECL at the date of initial application resulting from the adoption of PFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of PFRS 9, but rather those of PAS 39.

- 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*, and 18, *Transfer of Assets from Customers*.

The new standard introduces a new and more comprehensive 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.

The Company has adopted PFRS 15 using cumulative effect approach, with the effect of initially applying this standard recognized at January 1, 2018, the date of initial application. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under PAS 18, 11 and related interpretations. Additionally, the disclosures of PFRS 15 have not generally been applied to comparative information.

#### Commission Income

Under PAS 18, revenue in the form of commission income from brokering insurance contracts are recognized at a point in time when the related insurance contracts are approved by the partner insurance companies. Under PFRS 15, the revenue is also recognized at the point in time when the insurance contracts are closed. Thus, management assessed that PFRS 15 had no significant impact on the opening balance of the retained earnings.

- *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.

### Financial Instruments

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

#### *Date of Recognition*

The Company recognizes a financial asset or financial liability in the statements of financial position on the trade date when it becomes a party to the contractual provisions of the financial instrument.

#### *Initial Recognition and Measurement*

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 FVTPL, the initial measurement of financial instruments includes transaction costs.

#### *Policy Applicable on and after January 1, 2018*

#### *Classification and Measurement of Financial Assets*

The Company classifies its financial assets into the following categories: amortized cost, FVOCI and FVTPL.

The classification of the financial assets at initial recognition depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's business model refers to how the Company manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines whether the asset's contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding to determine the classification of the financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### *Business Model Assessment*

The Company makes an assessment of the objective of the business model for the financial assets because this best reflects the way the financial assets are managed. The information considered includes:

- the stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, earning dividend income, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash outflows through the sale of assets;
- the risks that affect the performance of the business model and how those risk are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.



Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose financial performance is evaluated on a fair value basis are measured at FVTPL.

*Assessment Whether Contractual Cash Flows are SPPI*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial assets contain a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features).

Prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired for a discount or premium to its contractual face amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual face amount plus accrued (but unpaid) contractual interest (which may include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

As at December 31, 2018, the Company's financial assets consist of financial assets at amortized cost.

*Financial Assets at Amortized Cost*

A financial asset is subsequently measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

A financial asset at amortized cost is measured using the effective interest method and is subject to impairment. Gains or losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category includes the Company's cash, investment securities, accounts receivables, advances to officers and employees and refundable deposits.

*Subsequent Measurement of Financial Assets from January 1, 2018*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

*Policy Applicable before January 1, 2018*

*Classification and Measurement of Financial Assets*

The Company classifies its financial assets into the following categories: financial assets at FVTPL, available-for-sale securities (AFS), held-to-maturity (HTM) investments and loans and receivables.

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 the Company has no financial assets and financial liabilities at FVTPL, HTM investments and AFS securities.

*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.

This category includes the Company's cash, investments securities, accounts receivables, advances from officers and employees and refundable deposits.

*Classification and Measurement of Financial Liabilities - Policy Applicable before and after January 1, 2018*

*Other Financial Liabilities*

Issued financial instruments or their components, which are not classified as FVTPL, 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.

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

Impairment of Financial Assets

*Impairment of Financial Assets - Policy Applicable on or after January 1, 2018*

At the date of initial application, the Company uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized and compared that to the credit risk at the date of initial application.

*Expected Credit Loss Model*

ECL is the weighted estimated value of the credit loss within the expected lifetime of the financial instruments. The Company reflects the ECL of the financial instruments measured by the following means:

- a. the unbiased and probability-weighted amount determined by evaluating various possible results;
- b. the time value of money; and
- c. the reasonable and supportable information related to the previous events, current condition and prediction of future economic condition.

The Company adopts the ECL model in measuring credit impairment. In this respect, the Company recognizes credit impairment even before an objective evidence of impairment becomes apparent. The Company considers past events, current conditions and forecasts of future economic conditions in assessing impairment.

The Company applies the simplified approach to providing for expected credit losses prescribed by PFRS 9 that includes loans and receivables that are measured at amortized cost. However, for equity instruments no impairment loss is recognized.

- a. Credit exposures are classified into three stages of credit impairment with corresponding time horizons in measuring ECL:
- Stage 1 - Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk - 12 months ECL;
  - Stage 2 - Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition - Lifetime ECL; and
  - Stage 3 - Credit exposures with objective evidence of impairment, thus, considered as "non-performing"- Lifetime ECL.

The Company recognizes loss allowances for ECL at an amount equal to the lifetime ECL on financial assets measured at amortized cost.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of a financial instrument while 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period of the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### *Movement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial assets.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. The financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than the normal credit terms of the Company;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

*Impairment of Financial Instruments - Policy Applicable before January 1, 2018*

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.

## 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.

#### *"Day 1" Difference*

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" difference) 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" difference.

#### Cash

Cash in the statements of financial position consists of deposits in banks.

#### 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:

	Number of Years
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 Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that its nonfinancial 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.

#### Retained Earnings (Deficit)

Retained earnings (deficit) include all current and prior period results of operation as disclosed in the statements of comprehensive income and impact of adoption of new accounting standards.

#### Revenue Recognition

Revenues are generated from provision of services to customers.

Prior to January 1, 2018, revenue is recognized when the service is rendered, and is measured at the fair value of consideration received or receivable.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with its customers is recognized when or as the Company satisfies a performance obligation by transferring a promised service generated in the ordinary course of the Company's activities to its customers at a transaction price that reflects the consideration the Company expects to be entitled in exchange for the service and that is allocated to that performance obligation. The service is transferred when or as the customer obtains control of the service.

*Commission Income.* 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.

*Commission Discount.* Commission discount refers to the discount on premium payments given by the Company to the policyholders to encourage the policyholder to avail more policies.

*Other Income.* Other income is recognized when earned.

#### Revenue Outside the Scope of PFRS 15

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

#### 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. Salaries and employee benefits payable are 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 Benefits Obligation*

As at December 31, 2018 and 2017, the amount of liability for retirement benefits 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 Bankers Association of the Philippines (BAP) 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.

#### New Standards, Amendments to Standards and Interpretation Not Yet Adopted

A number of new standards and amendments to standards and interpretation are effective for annual periods beginning after January 1, 2018. 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, 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 still completing its assessment of the impact of PFRS 16 on its financial statements.

- *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 Philippines Branch's chosen tax treatment. If it is not probable that the tax authority will accept the Philippines Branch'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 also requires the reassessment of judgments 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 interpretation can be initially applied retrospectively applying PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

The Company is still completing its assessment of the impact on its financial statements resulting from the application of the new interpretation.

*Effective January 1, 2020*

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASB)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The Company is still assessing the potential impact of the standard on its financial statements on the initial year of adoption. Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Company expects insignificant impact on its initial adoption.

- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 the definition of material and its application by:
  - (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  - (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  - (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - (d) clarifying the explanatory paragraphs accompanying the definition; and
  - (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

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#### 4. Significant 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

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

*Applicable before and after January 1, 2018*

##### *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.

##### *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; and
- whether the Company has discretion in establishing prices.

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

##### *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.

## Estimates

### *Applicable on and after January 1, 2018*

#### *Measurement of ECL of Trade Receivables from Third Parties*

PFRS 9 requires the Company to record expected credit losses on all of its financial instruments, either on a 12-month or lifetime basis. The Company applied the simplified approach to trade receivables from third parties and recorded the lifetime expected losses. Differences in the carrying amounts of financial assets and liabilities, if any, resulting from the adoption of PFRS 9 are recognized in retained earnings as at January 1, 2018.

For the year ended December 31, 2018, the Company recognized loss allowance on accounts receivable amounting to P0.50 million (see Note 9). In addition, P0.43 million was recognized in the retained earnings as at January 1, 2018 for the effect of transition to PFRS 9.

### *Applicable before January 1, 2018*

#### *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.

For the year ended December 31, 2017, the Company recognized impairment loss on accounts receivable amounting to P0.25 million (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.

### *Applicable before and after January 1, 2018*

#### *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 amounting to P0.31 million and P0.55 million in December 31, 2018 and 2017, respectively (see Note 17).



#### *Impairment of Nonfinancial Assets*

The Company assesses impairment on nonfinancial 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 nonfinancial 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 nonfinancial assets as at December 31, 2018 and 2017.

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## **5. Fair Value Measurement**

The carrying values of the Company's financial assets, which are composed of cash, investment securities, accounts receivable, advances to officers and employees, and refundable deposits under "Prepayments and other current assets" account, and other financial liabilities, which are composed of payable to insurance companies and accruals and other payables (excluding liabilities to government agencies), represent their respective fair values as of the reporting dates due to their short-term nature.

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## **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 stockholders 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, investment securities, accounts receivable, advances to officers and employees, refundable deposits under "Prepayments and other assets" account, payable to insurance companies, and accruals and other payables (excluding liabilities to government agencies) which are used to facilitate daily operations.

There were no changes on the Company's financial risk management process in 2018 and 2017.

#### *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.

#### *Maximum Exposure to Credit Risk*

The carrying values of the Company's financial assets as reflected in the statements of financial position and related notes already represent the financial assets' maximum exposure to credit risk before and after taking into account collateral held or other credit enhancements.

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

	<i>Note</i>	<b>2018</b>	<b>2017</b>
Cash	7	<b>P4,551,754</b>	P15,231,284
Investment securities	8	<b>11,000,000</b>	12,000,000
Accounts receivable	9	<b>4,508,755</b>	5,816,912
Advances to officers and employees	10	<b>221,238</b>	103,488
Refundable deposits*	11	<b>459,611</b>	459,611
		<b>P20,741,358</b>	P33,611,295

\*Included under Prepayment and other current assets.

#### *Risk Concentration of the Maximum Exposure to Credit Risk*

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company's financial strength and undermine public confidence. The Company's policies and procedures include specific guidelines which focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risk identified concentrations of credit risks are controlled and managed accordingly. As at December 31, 2018 and 2017, the Company has no risk concentration exposure.

As at December 31, 2018 and 2017, the analysis of credit quality of the Company's financial assets at amortized cost are as follows:

	2018				Total
	12 month ECL		Lifetime ECL		
	High Grade	Less than 30 days	31 days to 1 year	Past due Impaired	
Cash	P4,551,754	P -	P -	P -	P4,551,754
Investment securities	11,000,000	-	-	-	11,000,000
Accounts receivable	-	1,379,608	2,632,996	496,151	4,508,755
Advances to officers and employees	221,238	-	-	-	221,238
Refundable deposits*	459,611	-	-	-	459,611
<b>Total</b>	<b>P16,232,603</b>	<b>1,379,608</b>	<b>P2,632,996</b>	<b>P496,151</b>	<b>P20,741,358</b>

\*Included under Prepayment and other assets (see Note 11).

	2017			Total
	Neither Past Due nor Impaired High Grade	Past Due but Not Impaired Standard Grade	Impaired Low Grade	
	Cash	P15,231,284	P -	
Investment securities	12,000,000	-	-	12,000,000
Accounts receivable	2,052,890	3,511,192	252,830	5,816,912
Advances to officers and employees	103,488	-	-	103,488
Refundable deposits*	459,611	-	-	459,611
	<b>P29,847,273</b>	<b>P3,511,192</b>	<b>P252,830</b>	<b>P33,611,295</b>

\*Included under Prepayment and other current assets (see Note 11).

#### Incorporation of Forward-looking Information

As PFRS 9 requires current and future conditions to be taken into account, entities adjust the historical loss rates, if necessary, to reflect differences between historical conditions compared to current conditions and the entity's view of economic conditions over the expected lives of the trade receivables. Adjustments may also be required if there are relevant differences in the characteristics of the current portfolio of trade receivables and those included in the historical data which are not otherwise reflected in the segmentation.

The Company uses the average inflation rate as the forward-looking information which is updated annually to adjust the historical data. The inflation rate is the annual rate of change in the general price level often measured by the Consumer Price Index.

#### 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, 2018		
	One Year or Less	More than 1 Year to 3 Years	Total
<b>Financial Assets</b>			
Cash	P4,551,754	P -	P4,551,754
Investment securities	11,000,000	-	11,000,000
Accounts receivable - net	4,012,604	-	4,012,604
Advances to officers and employees	221,238	-	221,238
Refundable deposits*	459,611	-	459,611
<b>Total Financial Assets</b>	<b>20,245,207</b>	<b>-</b>	<b>20,245,207</b>
<b>Financial Liabilities</b>			
Payable to insurance companies	5,785,289	-	5,785,289
Accruals and other payables**	665,249	-	665,249
<b>Total Financial Liabilities</b>	<b>6,450,538</b>	<b>-</b>	<b>6,450,538</b>
<b>Net Liquidity</b>	<b>P13,794,669</b>	<b>P -</b>	<b>P13,794,669</b>

\*Included under Prepayment and other current assets (see Note 11).

\*\* Excluding tax and social security payable (see Note 15).

	December 31, 2017		
	One Year or Less	More than 1 Year to 3 Years	Total
<b>Financial Assets</b>			
Cash	P15,231,284	P -	P15,231,284
Investment securities	12,000,000	-	12,000,000
Accounts receivable - net	5,564,082	-	5,564,082
Advances to officers and employees	103,488	-	103,488
Refundable deposits*	459,611	-	459,611
<b>Total Financial Assets</b>	<b>33,358,465</b>	<b>-</b>	<b>33,358,465</b>
<b>Financial Liabilities</b>			
Payable to insurance companies	17,817,324	-	17,817,324
Accruals and other payables**	748,751	-	748,751
<b>Total Financial Liabilities</b>	<b>18,566,075</b>	<b>-</b>	<b>18,566,075</b>
<b>Net Liquidity</b>	<b>P14,792,390</b>	<b>P -</b>	<b>P14,792,390</b>

\*Included under Prepayment and other current assets (see Note 11).

\*\*Excluding tax and social security payable (see Note 15).

### 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, 2018 and 2017, categorized by currency:

	2018		2017	
	U.S. dollar	Peso Equivalent	U.S. dollar	Peso Equivalent
Cash in banks	5,084	P268,028	104,065	P5,194,925

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rate used was P52.72 and P49.92 to US\$1.00 as at December 28, 2018 and December 29, 2017, respectively based on BSP closing rate.

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
2018	+5.62%	P149,772	P56,372
	-5.62%	(P149,772)	(P56,372)
2017	+0.22%	(P5,098)	(P2,434)
	-0.22%	P5,098	P2,434

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

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 investment securities 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:

	2018	2017
Capital stock - P100 par value		
Authorized - 200,000 shares		
Issued and outstanding - 200,000 shares	<b>P20,000,000</b>	P20,000,000
Additional paid-in capital	<b>16,500</b>	16,500
Deficit	<b>(1,900,310)</b>	(2,384,730)
	<b>P18,116,190</b>	P17,631,770

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

As at December 31, 2018 and 2017 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, are as follows:

	2018	2017
Total debt	<b>P7,182,487</b>	P19,308,159
Total equity	<b>18,116,190</b>	17,631,770
Debt-to-equity ratio	<b>0.40:1</b>	1.10:1

#### Minimum Net Worth Requirement

On October 19, 2018, the IC issued Circular Letter No. 2018-52 which discuss the minimum net worth requirements for insurance or reinsurance brokers.

All existing insurance or reinsurance brokers must have a net worth of at least Ten Million Pesos (P10,000,000).

As at December 31, 2018 and 2017, the Company is compliant with the minimum net worth requirement.

#### 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, 2018 and 2017.

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## 7. Cash

Cash pertains to deposits in banks which earn interest at prevailing bank deposit rates ranging from 0.25% to 0.35% per annum amounting to P4.55 million and P15.23 million as at December 31, 2018 and 2017, respectively.

Interest income from cash in banks presented under "Other income" account in the statements of comprehensive income amounted to P0.02 million and P0.01 million in 2018 and 2017, respectively (see Note 16).

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## 8. Investment Securities

This account pertains to investment in time deposit amounting to P11.00 million and P12.00 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 2018 and 2017, respectively. Interest income earned from investment securities amounted to P0.18 million and P0.20 million in 2018 and 2017, respectively (see Note 16).

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## 9. Accounts Receivable - net

This account consists of:

	2018	2017
Commission receivable	P3,917,079	P5,217,066
Advances to customers	475,005	481,070
Interest receivable	116,671	118,776
	4,508,755	5,816,912
Loss allowance	(496,151)	(252,830)
	P4,012,604	P5,564,082

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

Advances to customers refers to receivables from policyholders on premiums paid in advance by the Company to partner insurance companies.

Interest receivable represents interest on cash and on investment securities.

Movement in the loss allowance at December 31, is as follows:

	Note	2018	2017
Balance at the beginning of year		P252,830	P -
PFRS 9 transition adjustment	4	432,737	-
Balance at the beginning of year, as restated		685,567	-
Loss allowance during the year		-	252,830
Reversal of loss allowance during the year	16	(189,416)	-
Balance at end of year		P496,151	P252,830

## 10. Advances to officers and employees

This account refers to the cash advances to officers and employees made by the Company to be liquidated through regular deductions from their salaries amounting to P0.22 and P0.10 million as at December 31, 2018 and 2017, respectively.

## 11. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Excess tax credit	P2,731,846	P775,160
Creditable withholding tax	1,529,025	2,136,938
Refundable deposits	459,611	459,611
Prepaid expenses	307,169	90,820
Input value added tax (VAT)	129,140	71,263
	<b>P5,156,791</b>	<b>P3,533,792</b>

Excess tax credit pertains to the creditable withholding tax in excess of the tax payable.

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

Refundable deposits pertain to the amount of 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:

	2018		
	Office Equipment	Office Furniture and Fixtures	Total
<b>Cost</b>			
Balance as at January 1	P520,580	P489,674	P1,010,254
Additions	-	-	-
<b>Balance as at December 31</b>	<b>520,580</b>	<b>489,674</b>	<b>1,010,254</b>
<b>Accumulated depreciation</b>			
Balance as at January 1	388,110	276,387	664,497
Depreciation for the year	74,437	80,994	155,431
<b>Balance as at December 31</b>	<b>462,547</b>	<b>357,381</b>	<b>819,928</b>
<b>Net book value as at December 31</b>	<b>P58,033</b>	<b>P132,293</b>	<b>P190,326</b>



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

### 13. Intangible Assets - net

As at December 31, this account consists of:

	2018	2017
<b>Cost</b>		
Balance at January 1	P1,680,274	P1,655,957
Additions during the year	22,300	24,317
<b>Balance at December 31</b>	<b>1,702,574</b>	<b>1,680,274</b>
<b>Accumulated amortization</b>		
Balance at January 1	1,518,748	1,497,033
Amortization for the year	17,862	21,715
<b>Balance at December 31</b>	<b>1,536,610</b>	<b>1,518,748</b>
<b>Net book value at December 31</b>	<b>P165,964</b>	<b>P161,526</b>

The additions for the intangible assets account pertain to the additional costs incurred for the development of the Company's website.

### 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 P5.79 million and P17.82 million as at December 31, 2018 and 2017, respectively.

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## 15. Accruals and Other Payables

This account consists of:

	2018	2017
Tax and social security payable	P731,949	P742,084
Accrued expenses	497,952	513,218
Accounts payable	167,297	235,533
	<b>P1,397,198</b>	<b>P1,490,835</b>

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Tax and social security payable consists of the value added tax from the Company's net commission income, income tax payable, withholding tax payable and government benefits payable.

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.

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## 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 2018 and 2017 amounted to P13.72 million and P11.27 million, respectively. On the other hand, commission discount given to clients amounted to P0.30 million and P0.45 million in 2018 and 2017, respectively.

The Company's other income consists of:

	<i>Note</i>	2018	2017
Interest income	7, 8	P198,256	P209,647
Foreign exchange gain (loss) - net		194,686	(95,105)
Reversal of loss allowance on accounts receivable	9	189,416	-
Other income		74,705	27,000
		<b>P657,063</b>	<b>P141,542</b>

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Interest income pertains to the income earned from cash deposits in banks and investment securities of the Company (see Notes 7 and 8).

Foreign exchange gain (loss) pertains to exchange differences on foreign currency transaction.

Reversal of loss allowance on accounts receivable pertains to the decrease in loss allowance recognized in 2018.

Other income of the Company includes bonus for reaching a threshold of approved insurance contracts as agreed between the Company and the insurers.

## 17. Income Taxes

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

	2018	2017
Current	<b>P637,502</b>	P93,500
Final	<b>38,071</b>	41,922
	<b>P675,573</b>	P135,422

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:

	2018	2017
Income (loss) before income tax	<b>P1,592,730</b>	(P441,312)
Income tax expense at statutory rate	<b>P477,819</b>	(P132,394)
Additions to (reductions in) income tax resulting from the tax effects of:		
Non-deductible representation expenses	<b>308,732</b>	212,939
Changes in unrecognized DTA	<b>(89,572)</b>	75,849
Interest income subject to final tax	<b>(59,477)</b>	(62,894)
Final taxes paid	<b>38,071</b>	41,922
Effective income tax	<b>P675,573</b>	P135,422

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, MCIT and loss allowance.

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
2016	P1,045,020	P -	P -	P1,045,020	2019
2015	794,725	-	794,725	-	2018
Total	P1,839,745	P -	P -	P1,045,020	

## 18. Salaries and Employee Benefits

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

	2018	2017
Salaries, wages and allowances	<b>P4,229,749</b>	P4,247,321
Other benefits	<b>824,776</b>	608,685
	<b>P5,054,525</b>	P4,856,006

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## 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 P2.98 million and P2.90 million in 2018 and 2017, respectively. The basic lease period ranges from one (1) to two (2) years.

Future minimum lease payments are payable as follows:

	2018	2017
Within one year	<b>P1,249,611</b>	P1,444,442
After one year but not more than five years	<b>500,000</b>	480,611
	<b>P1,749,611</b>	P1,925,053

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## 20. Related Party Transactions

For the years 2018 and 2017, 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 P2.74 million and P2.73 million in 2018 and 2017, respectively. KMP includes the Company's President and Directors.

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## 21. Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

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, 2018:

### A. VAT

1. Output VAT	<b>P65,689</b>
<b>Account title used:</b>	
Basis of the Output VAT:	
Vatable sales	<b>P547,406</b>
Exempt sales	-
Zero rated sales	-
2. Input VAT	
Beginning of the year	<b>P71,363</b>
Current year's domestic purchases:	
a. Services lodged under cost of goods sold	-
Claims for tax credit/refund and other adjustments	<b>57,777</b>
Balance at the end of year	<b>P129,140</b>

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**B. Withholding Taxes**

Withholding tax for compensation	P540,380
Expanded withholding taxes	125,578
	<b>P665,958</b>

**C. All Other Taxes (Local and National)**

<i>Other taxes paid during the year recognized under "Taxes and licenses" account</i>	
License and permit fees	P134,861

**D. Tax Assessment and Tax Cases**

The Company has no pending tax assessment or tax cases.