FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION

(A Wholly-owned Subsidiary of Fubon Insurance Co. Ltd.)

Financial Statements
December 31, 2020 and 2019

With independent auditors' report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Fubon Insurance Broker (Philippines) Corporation
2nd Floor Pioneer House
108 Paseo de Roxas Makati City

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Fubon Insurance Broker (Philippines) Corporation (the Company), a wholly-owned subsidiary of Fubon Insurance Co. Ltd., which comprise the statements of financial position as at December 31, 2020 and 2019, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of our 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 our audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 on taxes and licenses in Note 16 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Fubon Insurance Broker (Philippines) Corporation. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

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Valid until January 1, 2023
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Issued January 5, 2021, Makati City

April 6, 2021
Makati City, Metro Manila

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION

(A Wholly-owned Subsidiary of Fubon Insurance Co. Ltd.)

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2020**	2019
ASSETS			
Current Assets			
Cash in banks		**₱14,984,377**	₱19,485,989
Short-term investments		**10,100,161**	10,000,000
Trade and other receivables	4	**3,973,941**	8,623,691
Other current assets	5	**7,444,358**	6,448,474
Total Current Assets		**36,502,837**	44,558,154
Noncurrent Assets			
Property and equipment	6	**1,217,543**	2,430,979
Computer software	7	**138,261**	167,425
Total Noncurrent Assets		**1,355,804**	2,598,404
		₱37,858,641	₱47,156,558
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	**₱13,697,171**	₱24,325,974
Current portion of lease liabilities	12	**744,884**	1,426,120
Total Current Liabilities		**14,442,055**	25,752,094
Noncurrent Liability			
Lease liabilities - net of current portion	12	**232,958**	977,842
Total Liabilities		**14,675,013**	26,729,936
Equity			
Capital stock		**20,000,000**	20,000,000
Additional paid-in capital		**16,500**	16,500
Retained earnings		**3,167,128**	410,122
Total Equity		**23,183,628**	20,426,622
		₱37,858,641	₱47,156,558

See accompanying Notes to 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	**2020**	2019
SERVICE REVENUE	12	**₱18,164,671**	₱16,326,149
COST OF SERVICES		**1,278,333**	1,531,345
GROSS INCOME		**16,886,338**	14,794,804
OPERATING EXPENSES	9	**(12,758,845)**	(11,910,605)
INTEREST EXPENSE	12	**(140,780)**	(157,500)
OTHER INCOME - Net	10	**56,015**	352,268
INCOME BEFORE INCOME TAX		**4,042,728**	3,078,967
PROVISION FOR INCOME TAX	13		
Current		**1,285,722**	848,535
Deferred		**–**	(80,000)
		1,285,722	768,535
NET INCOME		**2,757,006**	2,310,432
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**₱2,757,006**	₱2,310,432

See accompanying Notes to Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION

(A Wholly-owned Subsidiary of Fubon Insurance Co. Ltd.)

STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2020	2019
CAPITAL STOCK- ₱100 par value		
Authorized, issued and outstanding - 200,000 shares	**₱20,000,000**	₱20,000,000
ADDITIONAL PAID-IN CAPITAL	**16,500**	16,500
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**410,122**	(1,900,310)
Net income	**2,757,006**	2,310,432
Balance at end of year	**3,167,128**	410,122
	₱23,183,628	₱20,426,622

See accompanying Notes to Financial Statements.

FUBON INSURANCE BROKER (PHILIPPINES) CORPORATION
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STATEMENTS OF CASH FLOWS

	Note	**2020**	2019
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱4,042,728**	₱3,078,967
Adjustments for:			
Depreciation and amortization	6	**1,549,141**	1,124,350
Interest income	10	**(179,938)**	(162,319)
Interest expense	12	**140,780**	157,500
Unrealized foreign exchange loss (gain)	10	**123,923**	(57,883)
Loss on retirement of computer software	7	**22,800**	–
Operating income before working capital changes		**5,699,434**	4,140,615
Decrease (increase) in:			
Short-term investments		**(100,161)**	1,000,000
Trade and other receivables		**4,649,750**	(4,415,098)
Other current assets		**(995,884)**	(1,420,824)
Increase (decrease) in trade and other payables		**(10,628,803)**	17,348,790
Net cash generated from (used for) operations		**(1,375,664)**	16,653,483
Income tax paid		**(1,285,722)**	(844,697)
Interest received		**179,938**	187,568
Net cash provided by (used in) operating activities		**(2,481,448)**	15,996,354
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	6	**(317,044)**	–
Computer software	7	**(12,297)**	(19,827)
Cash used in investing activities		**(329,341)**	(19,827)
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of lease liabilities	12	**(1,566,900)**	(1,100,175)
NET INCREASE (DECREASE) IN CASH IN BANKS		**(4,377,689)**	14,876,352
EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH IN BANKS		**(123,923)**	57,883
CASH IN BANKS AT BEGINNING OF YEAR		**19,485,989**	4,551,754
CASH IN BANKS AT END OF YEAR		**₱14,984,377**	₱19,485,989

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Fubon Insurance Broker (Philippines) Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on January 11, 2013. The Company is primarily engaged to solicit, negotiate or procure the making of any insurance contract or in placing risk taking out insurance in the Philippines, on behalf of an insured, for compensation, commission or other thing of value.

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, a company incorporated in Taiwan.

The Company's registered office address is at 2nd Floor Pioneer House, 108 Paseo de Roxas, Makati City.

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.

Status of Operations
The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country starting March 16, 2020. Management, however, believes that with the Company's strong financial position it can readily meet its maturing obligations and continue as a going concern.

Approval of the Financial Statements
The financial statements of the Company as at and for the years then ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2021.

2. Summary of Significant Accounting Policies

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

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

The financial statements have been prepared on the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 15, Fair Value Management.

Adoption of New and Amended PFRS

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

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an 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.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendments is permitted.

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

  - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, *Fair Value Measurement*. The amendment should be applied prospectively.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025 –

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation,* which provides a two year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity –

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity or a liability or equity instrument of another entity.

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

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

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

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

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's cash in banks, short-term investments, trade and other receivables (excluding advances to officers and employees) and refundable deposits (included under "Other current assets" account) are classified under this category (see Notes 4 and 5).

Cash in Banks. Cash in banks are measured at face value and earn interest at prevailing bank deposit rates.

Short-term Investments. Short-term investments pertain to investments with maturity periods of more than three months but less than one year, measured at face value, and earn interest at the respective short-term investment rates.

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

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

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

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

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

For other instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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

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

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

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

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

There were no reclassifications of financial assets in 2020 and 2019.

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

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

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

Financial Liabilities

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

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

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

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

The Company's trade and other payables (excluding payable to government agencies) and lease liabilities are classified under this category (see Note 8).

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

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Modification. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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

Other Current Assets
Other current assets include creditable withholding taxes (CWT), refundable deposits and prepayments that are initially recorded at transaction cost.

CWT. CWT represent the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

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

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of "Payable to government agencies" line item under "Trade and other payables" account in the statement of financial position.

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

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

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

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

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

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

Asset Type	Number of Years
ROU assets	5 or term of the lease, whichever is shorter
Office equipment	5
Office furniture and fixtures	5

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

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

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

Computer Software

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

Equity

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

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Retained Earnings. Retained earnings represent the cumulative balance of net income.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

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

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

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

Other Income. Other income is recognized when the earning process is complete and the flow of economic benefits is reasonably assured.

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

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

Cost and Expense Recognition

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

Cost of Services. Cost of services pertains to salaries of employees who performs revenue generating activities of the Company. It is recognized when the related expense to render the services are incurred.

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

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

Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company;
(b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

Leases

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

i. The right to obtain substantially all of the economic benefits from the use of the identified asset; and

ii. The right to direct the use of the identified asset.

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

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

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

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

i. The amount of the initial measurement of lease liabilities;

ii. Any lease payments made at or before the commencement date less any lease incentives received;

iii. Any initial direct costs; and

iv. An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

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

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

i. Fixed payments, including in-substance fixed payments;

ii. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. Amounts expected to be payable by the lessee under residual value guarantees; and

iv. The exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

For income tax reporting purposes, expenses under operating lease agreements are treated as deductible expenses in accordance with the terms of the lease agreements.

Foreign Currency Denominated Transactions

The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of each reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Employee Benefits

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

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

Income Tax

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

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

Deferred tax is recognized in profit or loss except for items recognized in OCI or item recognized directly in equity.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax assets to be recovered.

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

Classifying Leases. The Company, as a lessee, has entered into operating lease agreements for its car and office space. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed exemption for short-term leases of residential units with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

Significant judgment was likewise exercised by the Company in determining the discount rate to be used in calculating the present value of ROU assets and lease liabilities. The discount rate is represented by the incremental borrowing rate, which is the Bloomberg Valuation (BVAL) rate and credit spread as determined by the Ultimate Parent Company.

The carrying amount of ROU assets included as part of "Property and equipment" account amounted to ₱0.9 million and ₱2.3 million as at December 31, 2020 and 2019, respectively (see Note 6). The carrying amount of lease liability amounted to ₱1.0 million and ₱2.4 million as at December 31, 2020 and 2019, respectively (see Note 12).

Amortization of ROU assets amounted to ₱1.4 million and ₱1.0 million in 2020 and 2019, respectively (see Note 6). Rent expense arising from short-term leases amounted to ₱2.1 million and ₱2.4 million in 2020 and 2019, respectively (see Note 12).

Estimates and Assumptions

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

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

The Company determined that there is no significant change in the credit risk on its trade and other receivables. Accordingly, no impairment loss was recognized in 2020 and 2019. Allowance for impairment losses on receivables amounted ₱0.5 million as at December 31, 2020 and 2019 (see Note 4). The carrying amount of trade and other receivables amounted to ₱4.0 million and ₱8.6 million as at December 31, 2020 and 2019, respectively (see Note 4).

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

There was no change in the estimated useful lives of property and equipment in 2020 and 2019.

The carrying amount of property and equipment and computer software as at December 31 follows:

	Note	**2020**	2019
Property and equipment	6	**₱1,217,543**	₱2,430,979
Computer software	7	**138,261**	167,425

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

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

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

The Company determined that there are no indications of impairment on its nonfinancial assets. Accordingly, no impairment losses on nonfinancial assets was recognized in 2020 and 2019.

The carrying amount of nonfinancial assets as at December 31 follows:

	Note	**2020**	2019
Property and equipment	6	**₱1,217,543**	₱2,430,979
Computer software	7	**138,261**	167,425

Assessing Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of net deferred tax assets at each financial reporting date and reduces net deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be utilized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's unrecognized net deferred tax assets amounted to ₱0.2 million and ₱0.1 million as at December 31, 2020 and 2019, respectively (see Note 13).

4. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade		**₱4,397,991**	₱8,598,909
Interest receivable		**72,101**	91,422
Advances to stockholders	11	**–**	254,495
Advances to officers and employees		**–**	175,016
		4,470,092	9,119,842
Less allowance for impairment losses		**496,151**	496,151
		₱3,973,941	₱8,623,691

Trade receivables consist of commissions due from insurance companies. These are noninterest-bearing and are generally on a 30 to 60-day credit term.

Interest receivable represents interest on short-term placements.

Advances to officers and employees are noninterest-bearing advances and are settled through liquidation.

Allowance for impairment losses amounted to ₱0.5 million as at December 31, 2020 and 2019, respectively.

5. Other Current Assets

This account consists of:

	Note	2020	2019
CWT		**₱6,867,678**	₱5,513,034
Refundable deposits	12	**576,680**	579,362
Prepayments		**–**	356,078
		₱7,444,358	₱6,448,474

Refundable deposits arise from short-term operating lease agreements for residential units which are renewable upon mutual written agreement of the parties.

6. Property and Equipment

Movements in this account are summarized below:

	2020			
	ROU Assets	**Office Equipment**	**Office Furniture and Fixtures**	**Total**
Cost				
Balance at beginning of year	**₱3,346,637**	**₱520,580**	**₱489,674**	**₱4,356,891**
Additions	**–**	**317,044**	**–**	**317,044**
Balance at end of year	**3,346,637**	**837,624**	**489,674**	**4,673,935**
Accumulated Depreciation				
Balance at beginning of year	**1,002,352**	**490,833**	**432,727**	**1,925,912**
Depreciation	**1,423,970**	**49,563**	**56,947**	**1,530,480**
Balance at end of year	**2,426,322**	**540,396**	**489,674**	**3,456,392**
Carrying Amount	**₱920,315**	**₱297,228**	**₱–**	**₱1,217,543**

	2019			
	ROU Assets	Office Furniture and Fixtures	Office Equipment	Total
Cost				
Balance at beginning of year	₱718,279	₱489,674	₱520,580	₱1,728,533
Additions	2,628,358	–	–	2,628,358
Balance at end of year	3,346,637	489,674	520,580	4,356,891
Accumulated Depreciation				
Balance at beginning of year	–	357,381	462,547	819,928
Depreciation	1,002,352	75,346	28,286	1,105,984
Balance at end of year	1,002,352	432,727	490,833	1,925,912
Carrying Amount	₱2,344,285	₱56,947	₱29,747	₱2,430,979

Depreciation and amortization arise from the following:

	Note	**2020**	2019
Property and equipment		**₱1,530,480**	₱1,105,984
Computer software	7	**18,661**	18,366
	9	**₱1,549,141**	₱1,124,350

The cost of fully depreciated property and equipment still being used in operations amounted to ₱1.0 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.

7. Computer Software

Movements of this account are as follows:

	Note	2020	2019
Cost			
Balance at beginning of year		**₱1,722,401**	₱1,702,574
Additions		**12,297**	19,827
Retirement		**(22,800)**	–
Balance at end of year		**1,711,898**	1,722,401
Accumulated Amortization			
Balance at beginning of year		**1,554,976**	1,536,610
Amortization	6	**18,661**	18,366
Balance at end of year		**1,573,637**	1,554,976
Carrying Amount		**₱138,261**	₱167,425

8. Trade and Other Payables

This account consists of:

	2020	2019
Trade	**₱11,161,391**	₱23,214,159
Accruals for:		
Payroll	**406,421**	–
Professional fees	**325,000**	154,835
Utilities	**–**	43,665
Others	**495,212**	395,912
Payable to government agencies	**1,309,147**	517,403
	₱13,697,171	₱24,325,974

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

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

Payable to government agencies are normally settled within the subsequent month.

9. Operating Expenses

This account consists of:

	Note	**2020**	2019
Salaries and employee benefits		**₱5,436,079**	₱5,014,584
Rent	12	**2,053,016**	2,404,520
Depreciation and amortization	6	**1,549,141**	1,124,350
Transportation and travel		**1,028,338**	723,276
Professional fees		**723,642**	520,246
Insurance		**521,680**	282,531
Communication, light and water		**455,805**	658,203
Representation and entertainment		**424,941**	766,103
Taxes and licenses		**188,764**	174,242
Repairs and maintenance		**92,527**	84,774
Supplies		**27,986**	22,916
Others		**256,926**	134,860
		₱12,758,845	₱11,910,605

10. Other Income - Net

This account consists of:

	2020	2019
Interest income	**₱179,938**	₱162,319
Unrealized foreign exchange (loss) gain	**(123,923)**	57,883
Others	**–**	132,066
	₱56,015	₱352,268

Others pertain to bonus given by insurance companies for reaching a threshold of approved insurance contracts as agreed between the Company and the insurers.

11. Related Party Transactions

The Company has noninterest-bearing cash advances to its stockholders amounting to nil and ₱0.3 million as at December 31, 2020 and 2019, respectively (see Note 4).

Outstanding balances of transactions with related parties at year-end are unsecured, payable on demand and normally settled in cash. The Company did not provide for any impairment loss on said advances in 2020 and 2019.

Compensation of Key Management Personnel

Compensation of key management personnel which pertain to short-term benefits amounted to ₱3.8 million and ₱3.5 million in 2020 and 2019, respectively.

<u>Compliance with Revenue Regulations (RR) No. 19-2020 and RR No. 34-2020</u>
In July 2020, the Bureau of Internal Revenue (BIR) issued RR No. 19-2020, prescribing the use of the new BIR Form 1709, *Information Return on Related Party Transactions*. Subsequently, the BIR issued RR No. 34-2020 prescribing the guidelines and procedures for the submission of BIR Form 1709, transfer pricing documentation and other supporting documentations.

The Company does not qualify with the above guidelines, hence, the Company is not covered by the requirements and procedures provided by the RR.

12. Commitments and Agreements

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

Service income earned from insurance policies sold amounted to ₱18.2 million and ₱16.3 million in 2020 and 2019, respectively.

b. Lease Agreements
The Company, as a lessee, has entered into lease agreements for office space and car rentals with varying terms ranging between one to three years. The leases are renewable upon mutual written agreement of the parties.

The related ROU assets arising from these lease agreements amounted to ₱0.9 million and ₱2.4 million as at December 31, 2020 and 2019, respectively (see Note 6).

Further, lease payments for short-term operating lease agreements with third party lessors covering lease of residential units are recognized as expense on a straight line basis over the lease term.

Refundable deposits amounted to ₱0.6 million as at December 31, 2020 and 2019 (see Note 5).

Movements in lease liabilities are as follows:

	2020	2019
Balance as at beginning of year	**₱2,403,962**	₱718,279
Additions during the year	**–**	2,628,358
Rental payments	**(1,566,900)**	(1,100,175)
Accretion of interest	**140,780**	157,500
Balance at end of year	**977,842**	2,403,962
Current portion	**(744,884)**	(1,426,120)
Noncurrent portion	**₱232,958**	₱977,842

The discount rate applied to the lease liabilities is 8%. ROU assets were measured at the amount equal to the lease liabilities, adjusted by any amount of any prepaid or accrued lease payments.

Lease-related accounts recognized in the statements of comprehensive income are as follows:

	Note	2020	2019
Rent expense	9	**₱2,053,016**	₱2,404,520
Amortization of ROU assets	6	**1,423,970**	1,002,352
Interest expense on lease liabilities		**140,780**	157,500
		₱3,617,766	₱3,564,372

Rent expense pertains to short-term leases of residential units with periods of 12 months or less.

Future minimum lease payments on lease liabilities follows:

	2020	2019
Within one year	**₱786,725**	₱1,612,245
After one year but not more than five years	**240,000**	830,000
	₱1,026,725	₱2,442,245

13. Income Taxes

The Company's income tax represents regular corporate income tax (RCIT) in 2020 and 2019.

The management has assessed that the Company may not have sufficient taxable income against which these temporary differences can be fully utilized. Consequently, deferred tax asset amounting to ₱0.2 million as at December 31, 2020 and 2019 were not recognized.

Details of unrecognized deferred tax assets are as follows:

	2020	2019
Deferred tax assets on:		
Allowance for impairment losses on receivables	**₱148,845**	₱148,845
Excess lease liabilities over ROU assets	**17,258**	17,903
Unrealized foreign exchange loss	**37,177**	–
	203,280	166,748
Deferred tax liability on unrealized foreign exchange gain	**–**	(17,365)
Net deferred tax assets	**₱203,280**	₱149,383

In 2019, the Company applied its NOLCO against taxable income and MCIT against income tax due amounting to ₱1.0 million and ₱80,000, respectively.

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

	2020	2019
Provision for income tax at statutory income tax rate	**₱1,212,818**	₱923,690
Movements in unrecognized deferred tax assets	**53,897**	(287,312)
Income tax effects of:		
Nondeductible representation expense	**72,988**	180,853
Interest income already subjected to final tax	**(53,981)**	(48,696)
	₱1,285,722	₱768,535

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rate to the Company's financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Balances Using Revised Income Tax Rate	Audited Balances (Based on Old Income Tax Rate)	Differences
CWT	₱7,081,965	₱6,867,678	₱214,287
Retained earnings	3,381,415	3,167,128	(214,287)
Current tax expense	1,071,435	1,285,722	214,287
Net income	2,971,293	2,757,006	(214,287)

14. Financial Risk Management Objectives and Policies and Capital Management

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

Risk Management Framework
The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. Financial risks are managed under policies approved and monitored by the BOD.

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.

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

The following information presents the Company's exposure to each of the above risks:

Credit Risk. Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company trades only with recognized and creditworthy third parties. It is the Company's practice that all insurance providers who wish to conduct business with the Company are subject to the Company's accreditation procedures. In addition, accounts receivable are monitored on an ongoing basis. Thus, exposure to bad debts is reduced.

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

	2020	2019
Financial assets at amortized cost:		
Cash in banks	**₱14,984,377**	₱19,485,989
Short-term investments	**10,100,161**	10,000,000
Trade and other receivables*	**3,973,941**	8,448,675
Refundable deposits (included under "Other current assets" account)	**576,680**	579,362
	₱29,635,159	₱38,514,026

**Excluding advances to officers and employees settled through liquidation amounting to nil and ₱0.2 million as at December 31, 2020 and 2019, respectively.*

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

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

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

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

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

	December 31, 2020			
	12-month ECL (High Grade)	**Lifetime ECL – not impaired (Standard Grade)**	**Lifetime ECL – credit impaired**	**Total**
Financial assets at amortized cost:				
Cash in banks	**₱14,984,377**	**₱–**	**₱–**	**₱14,984,377**
Short-term investments	**10,100,161**	**–**	**–**	**10,100,161**
Trade and other receivables*	**–**	**3,973,941**	**496,151**	**4,470,092**
Refundable deposits (included under "Other current assets" account)	**576,680**	**–**	**–**	**576,680**
	₱25,661,218	**₱3,973,941**	**₱496,151**	**₱30,131,310**

	December 31, 2019			
	12-month ECL (High Grade)	Lifetime ECL – not impaired (Standard Grade)	Lifetime ECL – credit impaired	Total
Financial assets at amortized cost:				
Cash in banks	₱19,485,989	₱–	₱–	₱19,485,989
Short-term investments	10,000,000	–	–	10,000,000
Trade and other receivables*	–	8,448,675	496,151	8,944,826
Refundable deposits (included under "Other current assets" account)	579,362	–	–	579,362
	₱30,065,351	₱8,448,675	₱496,151	₱39,010,177

**Excluding advances to officers and employees settled through liquidation amounting to nil and ₱0.2 million as at December 31, 2020 and 2019, respectively.*

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

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

Trade receivables and other receivables (excluding advances to officers and employees settled through liquidation) also have low credit risk, since the Company only transacted with reputable companies with respect to these financial assets.

Refundable deposits are of low credit risk, since these are deposits made to a company with low probability of insolvency.

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

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

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

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

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

	2020						
	Neither Past Due nor Impaired			**Past Due but Not Impaired**			
	High Grade	**Standard Grade**	**Substandard Grade**	**91-180 Days**	**More than 180 Days**	**Impaired**	**Total**
Cash in banks	**₱14,984,377**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,984,377**
Short-term investments	**10,100,161**	**–**	**–**	**–**	**–**	**–**	**10,100,161**
Trade and other receivables*	**–**	**3,973,941**	**–**	**–**	**–**	**496,151**	**4,470,092**
Refundable deposits (included under "Other current assets" account)	**576,680**	**–**	**–**	**–**	**–**	**–**	**576,680**
	₱25,661,218	**₱3,973,941**	**₱–**	**₱–**	**₱–**	**₱496,151**	**₱30,131,310**

	2019						
	Neither Past Due nor Impaired			Past Due but Not Impaired			
	High Grade	Standard Grade	Substandard Grade	91-180 Days	Over 180 Days	Impaired	Total
Cash in banks	₱19,485,989	₱–	₱–	₱–	₱–	₱–	₱19,485,989
Cash in banks	10,000,000	–	–	–	–	–	10,000,000
Short-term investments	–	8,448,675	–	–	–	496,151	8,944,826
Refundable deposit (included under "Other current assets" account)	579,362	–	–	–	–	–	579,362
	₱30,065,351	₱8,448,675	₱–	₱–	₱–	₱496,151	₱39,010,177

**Excluding advances to officers and employees settled through liquidation amounting to nil and ₱0.2 million as at December 31, 2020 and 2019, respectively.*

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds. The Company maintains cash to meet its liquidity requirements for up to a 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.

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

	2020					
	On Demand	**Less than One Year**	**One to Two Years**	**Two to Four Years**	**More than Five Years**	**Total**
Trade and other payables*	**₱12,388,024**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,388,024**
Lease liabilities**	**–**	**786,725**	**240,000**	**–**	**–**	**1,026,725**
	₱12,388,024	**₱786,725**	**₱240,000**	**₱–**	**₱–**	**₱13,414,749**

	2019					
	On Demand	Less than One Year	One to Two Years	Two to Four Years	More than Five Years	Total
Trade and other payables*	₱23,808,571	₱–	₱–	₱–	₱–	₱23,808,571
Lease liabilities**	–	1,566,900	1,026,725	–	–	2,593,625
	₱23,808,571	₱1,566,900	₱1,026,725	₱–	₱–	₱26,402,196

**Excluding payable to government agencies amounting to ₱1.3 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.*
***Including future interest payments amounting to ₱48,883 and ₱0.2 million as at December 31, 2020 and 2019, respectively.*

Foreign Currency Exchange Risk. The Company's exposure to foreign currency risk results from its cash in banks denominated in United States Dollar (US$), which management believes that such risk is minimal. The exposure in US foreign currency risk is managed by monitoring the foreign exchange movement on a monthly basis.

The carrying amount of the Company's monetary assets denominated in US dollars at the reporting date are as follows:

	December 31, 2020		December 31, 2019	
	US Dollar	**Peso**	US Dollar	Peso
Cash in bank	**US$12,597**	**₱604,908**	US$4,152	₱210,672

The sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's net income before income tax and equity for the year ended December 31, 2020 and 2019 are as follows:

	2020		
	Increase (decrease) in Foreign Exchange Rate	**Effect on Income Before Income Tax**	**Effect on Equity**
US$	**(8.92%)**	**(₱53,958)**	**(₱37,770)**
	8.92%	**(53,958)**	**(37,770)**

	2019		
	Increase (decrease) in Foreign Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
US$	3.76%	₱7,921	₱5,545
	(3.76%)	(7,921)	(5,545)

The exchange rate used for conversion of US$ amounts to its Peso equivalent is ₱48.04 and ₱50.74 in 2020 and 2019.

Interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The primary source of the Company's interest rate risk relates to interest-bearing financial assets, particularly on cash in banks and short-investments.

As at December 31, 2020 and 2019, the Company's cash in banks and short-term investments have fixed interest rate. The effect of interest rate sensitivity on profit or loss is insignificant.

Capital Management

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

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

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

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

The Company's estimated net worth as at December 31 follows:

	2020	2019
Capital stock	**₱20,000,000**	₱20,000,000
Additional paid-in capital	**16,500**	16,500
Retained earnings	**3,167,128**	410,122
Total equity	**23,183,628**	20,426,622
Less: Non-admitted assets	**1,021,841**	5,232,298
Net worth	**22,161,787**	15,194,324
Less: Net worth requirements	**10,000,000**	10,000,000
	₱12,161,787	₱5,194,324

Receivables over 90 days, advances to stockholders, prepayments, office equipment and furniture and fixtures are generally non-admitted assets. In 2020, the IC issued CL No. 2020-58 which provided regulatory relief on admittance of receivables from 90 days to 180 days from the date of issuance of the policies. The relief was applied for annual reports for the year 2020 unless extended or changed as deemed necessary.

The Company has incurred net worth deficiency in 2019 because the IC has used the net worth requirement of ₱20.0 million for new entrant as an insurance broker. However, the Company should be considered as an existing insurance broker with net worth requirement of ₱10.0 million as it was already a licensed broker prior to the effectivity of CL 2018-52 in October 2018. Nevertheless, the Company cleared the 2019 deficiency with the IC on November 11, 2020.

As at December 31, 2020, the Company's estimated net worth is in compliance with the minimum net worth requirements of the IC.

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

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

The Company has complied with the required bond for insurance brokers as at December 31, 2020 and 2019.

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

The Company has complied with the required errors and omissions policies requirement as at December 31, 2020 and 2019.

No changes were made in the objectives, policies and processes in 2020 and 2019.

The debt-to-equity ratio is as follows:

	2020	2019
Total liabilities	**₱14,675,013**	₱26,729,936
Total equity	**23,183,628**	20,426,622
Debt-to-equity ratio	**0.63:1**	1.31:1

15. Fair Value Measurement

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

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost:				
Cash in banks	**₱14,984,377**	**₱14,984,377**	₱19,485,989	₱19,485,989
Short-term investments	**10,100,161**	**10,100,161**	10,000,000	10,000,000
Trade and other receivables*	**3,973,941**	**3,973,941**	8,448,675	8,448,675
Refundable deposits (included under "Other current assets" account)	**576,680**	**576,680**	579,362	579,362
	₱29,635,159	**₱29,635,159**	₱38,514,026	₱38,514,026

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Financial liabilities at amortized cost -				
Trade and other payables**	**₱12,388,024**	**₱12,388,024**	₱23,808,571	₱23,808,571
Lease liabilities	**977,842**	**911,457**	2,403,962	2,404,498
	₱13,365,866	**₱13,299,481**	₱26,212,533	₱26,213,069

**Excluding advances to officers and employees settled through liquidation amounting to nil and ₱0.2 million as at December 31, 2020 and 2019.*
*** Excluding payable to government agencies amounting to ₱1.3 million and ₱0.5 million December 31, 2020 and 2019.*

Financial Assets and Liabilities at Amortized Cost. The carrying amounts of cash in banks, short-term investments, trade and other receivables (excluding advances to officers and employees, refundable deposits (included under "Other current assets" account), trade and other payables and (excluding payable to government agencies) approximate its fair values due to their short-term maturities.

Lease Liabilities. Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. As at December 31, 2020 and 2019, the discount rates used in determining the fair value of lease liabilities range from 1.06% to 1.79% and 3.47% to 3.79%, respectively. Lease liabilities are measured using level 2 valuation technique.

Fair Value Hierarchy

For the year ended December 31, 2020 and 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

16. Supplementary Information Required under RR No. 15-2010 of the Bureau of Internal Revenue

The information for the year 2020 required by the Regulations is presented below.

Output VAT
The Company's output VAT declared for the year ended December 31, 2020 are as follows:

	Gross Sales/Receipts	Output VAT
Service income subject to 12% VAT	₱18,704,325	₱2,244,519

The gross revenue shown above are based on gross receipts of the Company for VAT purposes while gross revenues in the statement of comprehensive income are measured in accordance with PFRS.

Input VAT
The Company's input VAT claimed for the year ended December 31, 2020 are as follows:

Balance at beginning of year	₱–
Add current year's domestic purchases/payments for:	
Importation of goods other than capital goods	181,460
Domestic purchases of services	32,579
Domestic purchases/payments for goods other than capital goods	1,501
Total available input VAT	215,540
Less input VAT applied against output VAT	215,540
Balance at end of year	₱–

The Company's output VAT payments amounted to ₱1.6 million in 2020.

All Other Local and National Taxes
All other local and national taxes paid included in "Taxes and licenses" line item under "Operating expenses" account in the statement of comprehensive income in 2020 consists of:

Business taxes	₱156,614
Registration fee	6,900
Others	25,250
	₱188,764

Withholding Taxes
The Company's withholding taxes paid and accrued for the year ended December 31, 2020 are as follows:

	Paid	Accrued	Total
Expanded withholding taxes	₱77,224	₱29,459	₱106,683
Withholding tax on compensation	757,135	53,442	810,577
	₱834,359	₱82,901	₱917,260

Tax Assessment and Tax Case
The Company has no outstanding tax assessment and tax case as at and for the year ended December 31, 2020.

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

The Stockholders and Board of Directors
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), a wholly-owned subsidiary of Fubon Insurance Co. Ltd., as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated April 6, 2021.

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

REYES TACANDONG & CO.

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 128829-SEC Group A
Issued March 23, 2021
Valid for Financial Periods 2020 to 2024
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2020
Valid until January 1, 2023
PTR No. 8534282
Issued January 5, 2021, Makati City

April 6, 2021
Makati City, Metro Manila