

**SURETA AND ASSOCIATE, CPAs**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT OF INDEPENDENT AUDITORS**

The Stockholders and the Board of Directors  
**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
3<sup>rd</sup> Floor, King's Court Building  
2129 Don Chino Roces Avenue, Makati City.

Report of the Audit of the Financial Statements

Opinion

I have audited the financial statements of **INTERNATIONAL MARKETING GROUP (IMG) INSURANCE BROKERS CORP.**, which comprise the statement of financial position as at December 31, 2023 and 2022, and the statement of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **INTERNATIONAL MARKETING GROUP (IMG) INSURANCE BROKERS CORP.**, as at December 31, 2023 and 2022 and its financial performance and its cash flows, for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- \* Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedure responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide 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, on 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 Corporation'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 in 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

Report on the Supplementary Information Required under Revenue regulation 15-2010

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

**SURETA & ASSOCIATE, CPAs**

*Esther P. Clarete*  
**ESTHER P. CLARETE**

**Partner**

Certified Public Accountant

Board Certificate No. 51131

PTR No. 5163351 Malabon City

January 10, 2024

TIN: 116-241-169

IC Acc. No. IC-EA-2024-0003-N

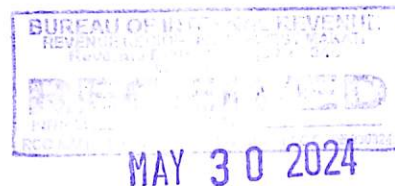
BIR AN: 05-002844-001-2024

Valid from January 12, 2024 to 2027

BOA AN: 9634 until June 7, 2026

April 12, 2024

Malabon City





**SURETA AND ASSOCIATE, CPAs**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**SUPPLEMENTAL WRITTEN STATEMENT OF EXTERNAL AUDITOR ON THE NUMBER  
OF SHAREHOLDERS**

The Stockholders and the Board of Directors  
**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
3<sup>rd</sup> Floor, King's Court Building  
2129 Don Chino Roces Avenue, Makati City.

I have audited the financial statements of International Marketing Group (IMG) Insurance Brokers Corp., for the year ended December 31, 2023, on which we have rendered the attached report dated April 12, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has three (3) stockholders owning 100 or more shares.

**SURETA & ASSOCIATE, CPAs**

*ellauth*  
**ESTER P. CLARETE**  
**Partner**

Certified Public Accountant  
Board Certificate No. 51131  
PTR No. 5163351 Malabon City  
January 10, 2024  
TIN: 116-241-169  
IC Acc. No. IC-EA-2024-0003-N  
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April 12, 2024  
Malabon City



**SURETA AND ASSOCIATE, CPAs**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report  
To Accompany Income Tax Return**

The Stockholders and the Board of Directors  
**INTERNATIONAL MARKETING GROUP (IMG)  
INSURANCE BROKERS CORP.**  
**3<sup>rd</sup> Floor, King's Court Building  
2129 Don Chino Roces Avenue, Makati City.**

I have audited the financial statements of International Marketing Group (IMG) Insurance Brokers Corp., for the calendar year December 31, 2023, on which we have rendered the attached report dated April 12, 2024.

In compliance with Revenue Regulations V-20, we are stating the following:

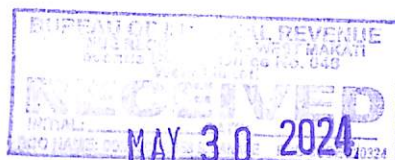
The taxes paid or accrued by the above Company for the calendar year December 31, 2023 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

That I am not related by consanguinity or affinity to the stockholders of the Company.

**SURETA & ASSOCIATE, CPAs**

*Estelaut*  
**ESTER P. CLARETE**  
**Partner**

Certified Public Accountant  
Board Certificate No. 51131  
PTR No. 5163351 Malabon City  
January 10, 2024  
TIN: 116-241-169  
IC Acc. No. IC-EA-2024-0003-N  
BIR AN: 05-002844-001-2024  
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**SURETA AND ASSOCIATE, CPAs**  
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**REPORT OF INDEPENDENT AUDITORS**

The Stockholders and the Board of Directors  
**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
**3<sup>rd</sup> Floor, King's Court Building**  
**2129 Don Chino Roces Avenue, Makati City.**

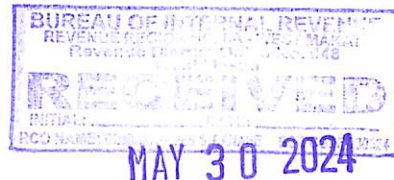
I have audited the financial statements of **INTERNATIONAL MARKETING GROUP (IMG) INSURANCE BROKERS CORP.**, as of and for the years ended December 31, 2023 and 2022, on which I have rendered the attached report dated April 12, 2024.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown in **Annex A** (Reconciliation of Retained Earnings) **Annex B** (List of Effective Standards and Interpretation) is presented for purposes of filing with the Securities and Exchange Commission in accordance with SRC Rule 68 and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

**SURETA & ASSOCIATE, CPAs**

*Estelauti*  
**ESTER P. CLARETE**  
**Partner**

Certified Public Accountant  
Board Certificate No. 51131  
PTR No. 5163351 Malabon City  
January 10, 2024  
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Valid from January 12, 2024 to 2027  
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April 12, 2024  
Malabon City



The Securities and Exchange Commission  
Makati City

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

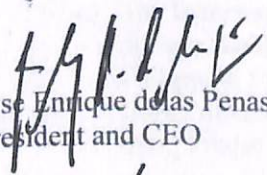
The management of **International Marketing Group (IMG) Insurance Brokers Corp.** is responsible for the preparation and for presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

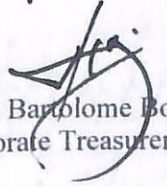
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

**SURETA & ASSOCIATE, CPAs**, the independent auditor, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Jose Enrique delas Penas  
President and CEO




Louis Bartolome Borja  
Corporate Treasurer

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

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

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

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

  
Jose Enrique delos Penas  
President and CEO

  
Louis Bartolome Borja  
Corporate Treasurer



**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	₱ 290,855,495	₱ 249,161,391
Accounts receivables and other receivables	6	15,742,379	12,375,943
Creditable withholding tax	14	107,335,381	97,945,698
Other current assets	7	649,747	520,762
Total Current Assets		414,583,002	360,003,794
<b>Noncurrent Assets</b>			
Property and equipment – net	8	39,534,460	40,790,638
Right-of-use assets	13	38,701,421	11,918,281
Deferred tax assets	14	992,802	595,281
Other noncurrent assets	9	5,111,200	7,447,571
Total Noncurrent Assets		84,339,883	60,751,771
		₱ 498,922,885	₱ 420,755,565
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	10	₱ 340,718,250	₱ 303,567,465
Lease liabilities	13	16,603,225	9,515,530
Total Current Liabilities		357,321,475	313,082,995
<b>Noncurrent Liability</b>			
Lease liabilities	13	24,274,982	5,077,389
Total Noncurrent Liabilities		24,274,982	5,077,389
Total Liabilities		381,596,457	318,160,384
<b>Equity</b>			
Capital stock – P1 par value			
Authorized – 98 million shares			
Subscribed and paid-up – 98 million	17	₱ 98,000,000	₱ 98,000,000
Retained earnings		19,326,428	4,595,181
Total Stockholders' Equity		117,326,428	102,595,181
		₱ 498,922,885	₱ 420,755,565

See accompanying Notes to Financial Statements.

**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Note	2023	2022
COMMISSION INCOME		<b>₱ 123,507,428</b>	<b>₱ 102,173,877</b>
DIRECT COSTS	11	<b>44,509,969</b>	<b>38,186,961</b>
GROSS PROFIT		<b>78,997,459</b>	<b>63,986,916</b>
OPERATING EXPENSES	12	<b>60,362,310</b>	<b>61,855,106</b>
OPERATING INCOME		<b>18,635,149</b>	<b>2,131,810</b>
INTEREST INCOME	5	<b>2,100,700</b>	<b>164,539</b>
INTEREST EXPENSE	13	<b>(1,794,420)</b>	<b>(482,072)</b>
PROFIT BEFORE INCOME TAX		<b>18,941,429</b>	<b>1,814,277</b>
INCOME TAX EXPENSE (BENEFIT) - Net	14		
Current		<b>4,607,703</b>	<b>728,337</b>
Deferred		<b>(397,521)</b>	<b>(315,902)</b>
		<b>4,210,182</b>	<b>412,435</b>
NET PROFIT		<b>₱ 14,731,247</b>	<b>₱ 1,401,842</b>

*See accompanying Notes to Financial Statements.*

**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Note	2023	2022
<b>CAPITAL STOCK</b>			
Balance at beginning of year		<b>₱ 98,000,000</b>	<b>₱ 8,000,000</b>
Issuance during the year	17	—	90,000,000
Balance at end of year		<b>98,000,000</b>	<b>98,000,000</b>
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		<b>4,595,181</b>	<b>3,193,339</b>
Net profit for the year		<b>14,731,247</b>	<b>1,401,842</b>
Balance at end of year		<b>19,326,428</b>	<b>4,595,181</b>
		<b>₱ 117,326,428</b>	<b>₱ 102,595,181</b>

*See accompanying Notes to Financial Statements.*



**INTERNATIONAL MARKETING GROUP (IMG)**  
**INSURANCE BROKERS CORP.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		<b>₱ 18,941,429</b>	<b>₱ 1,814,277</b>
Adjustments for:			
Depreciation and amortization	8, 13	<b>16,256,921</b>	<b>19,996,940</b>
Interest expense on lease liability	13	<b>1,794,420</b>	<b>482,072</b>
Depre Interest income	5	<b>(2,100,700)</b>	<b>(164,539)</b>
Operating profit before working capital changes		<b>34,892,070</b>	<b>22,128,750</b>
Changes in operating assets and liabilities:			
Increase in:			
Accounts receivable	6	<b>(3,366,436)</b>	<b>(693,652)</b>
Other current assets	7	<b>(128,985)</b>	<b>(128,751)</b>
Increase (decrease) accounts payable and other current liabilities	10	<b>37,150,785</b>	<b>(4,160,755)</b>
Due to members	10		
Due to principals	10		
Cash generated from operations		<b>68,547,434</b>	<b>17,145,592</b>
Income taxes paid	14	<b>(13,997,387)</b>	<b>(11,780,965)</b>
Interest received	5	<b>2,100,700</b>	<b>164,539</b>
Net cash provided by operating activities		<b>56,650,747</b>	<b>5,529,166</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	8	<b>(116,390)</b>	<b>(433,043)</b>
Decrease in other noncurrent assets	9	<b>2,336,372</b>	<b>-</b>
Net cash provided by (used in) investing activities		<b>2,219,982</b>	<b>(433,043)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of lease liabilities	13	<b>(15,382,205)</b>	<b>(17,871,622)</b>
Interest paid on lease liabilities	13	<b>(1,794,420)</b>	<b>(482,072)</b>
Issuance of capital stock	16	<b>-</b>	<b>-</b>
Net cash used in investing activities		<b>(17,176,625)</b>	<b>(18,353,694)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>41,694,104</b>	<b>(13,257,571)</b>
<b>CASH AT BEGINNING OF YEAR</b>	5	<b>249,161,391</b>	<b>262,418,962</b>
<b>CASH AT END OF YEAR</b>	5	<b>₱ 290,855,495</b>	<b>₱ 249,161,391</b>
<b>SUPPLEMENTAL DISCLOSURE ON NON-CASH FINANCING ACTIVITY</b>			
Application of deposit for future capital stock subscription as payment to capital stock	16	<b>-</b>	<b>90,000,000</b>

*See accompanying Notes to Financial Statements.*

**INTERNATIONAL MARKETING GROUP (IMG)  
INSURANCE BROKERS CORP.**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

International Marketing Group (IMG) Insurance Brokers Corp. ("the Company") was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on March 7, 2002 per SEC Reg. No. A 200203947.

The Company is engaged in the selling and marketing of life and non-life insurance; pre-need plans such as, but not limited to pension, education, memorial and financial plans.

The Company started selling and marketing pre-need plans in April 2002. The Company's license to do insurance broking was issued by the Insurance Commission on December 7, 2002.

The registered office of the Company is 3<sup>rd</sup> Floor, King's Court Building, 2129 Don Chino Roces Avenue, Makati City.

The accompanying financial statements as at and for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors (BOD) on April 12, 2024.

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**2. Statement of Compliance**

The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretation Committee (PIC), Standing Interpretations Committee (SIC) and International Reporting Interpretations Committee (IFRIC) which have been approved by the Sustainability and Financial Reporting Standards Council (SFRSC) and adopted by the SEC.

The financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

### 3. Summary of Significant Accounting and Financial Reporting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the applicable amended accounting standards that became effective in the current year. The amendments that became effective in 2023 did not have any significant impact on the Company's financial statements or are not applicable to the Company.

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Company are summarized below and in the succeeding pages. The Company policies have been consistently applied to all years presented unless otherwise stated.

#### Financial Assets and Liabilities

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

The classification of financial assets at initial recognition depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

#### Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI)
- where:
- gains and losses previously recognized are reclassified to profit and loss; and
  - gains and losses previously recognized are not reclassified to profit and loss.

#### *Financial assets measured at amortized cost*

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The Company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category includes cash in bank accounts receivable and refundable security deposit which is held by the Company with the objective to collect the contractual cash flows.

#### *Reclassification*

The Company reclassifies debt investments when and only when its business model for managing those assets changes.



### *Recognition and Derecognition*

Regular way purchases and sales of financial assets are recognized on date of transaction, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

### *Measurement*

#### *Initial measurement*

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

#### *Subsequent measurement*

##### A. Debt instruments

There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income as this accrues using the effective interest rate method. Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains and losses together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in the statements of profit or loss.

### *Impairment*

PFRS 9 establishes a new model, 'expected credit loss' (ECL) model, for recognition and measurement of impairments in loans and receivables that are measured at amortized cost, contract assets and debt instruments at FVOCI, but not to investments in equity instruments.

PFRS 9 provides that in measuring ECL the Company must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence.
- Discounting for the time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### *Impairment of Financial Assets*

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in bank the Company applies general approach on calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on the accounts since initial recognition.

The Company 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Financial Liabilities

The Company classifies its financial liabilities in the following measurement categories:

- Financial liabilities measured at amortized cost; and
- Financial liabilities measured at fair value through profit or loss (FVPL).

The Company's financial liability measured at amortized cost include due accounts payable and other current liability (excluding government payable)(Note 7) which is to be settled at the expected cash consideration. The Company has no financial liabilities measured at FVPL.

#### *Measurement*

##### *Company's Financial Liabilities*

The Company's financial liabilities are not held for trading nor designated as at FVPL upon inception of the liability. These includes advances from a related party.

The Company's financial liabilities are recognized initially at fair value of the consideration received less directly attributable transaction costs, if any. After initial recognition, these are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) from any related premium, discount and any directly attributable transaction costs. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlements without discounting, when the effect of not discounting is immaterial. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The carrying amount of the financial liability are shown in Note 16 to the Company's financial statements.

### Derecognition of Financial Assets and Liabilities

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

the rights to receive cash flows from the asset has expired;  
the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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.

### Offsetting Financial Instruments

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

### Prepaid Expenses

Prepaid expenses are initially recorded at actual amounts paid for expenses and are amortized as the benefits of the payments are received by the Company and are charged to expense in the applicable period of expiration. Prepaid expenses that will subsequently expire and be charged to related expense within the next year is classified under current assets. Thus, amounts which will be amortized beyond the following year are classified under noncurrent assets.



Creditable Withholding Tax

Creditable withholding tax is initially recognized at actual amount withheld and subsequently stated at its net recoverable amount (unutilized amount of creditable withholding tax less impairment, if any).

Advances to Suppliers

Advances to suppliers are initially recorded at actual cash advanced to suppliers and are subsequently carried at cost less impairment losses, if any. These are applied against subsequent supplier's billings upon rendering the service.

Input Value Added Tax (VAT)

Input VAT is initially recognized at actual amount paid for and subsequently stated at its net recoverable amount (unutilized amount of input VAT less impairment, if any).

Property and Equipment

Property and equipment are initially recorded at cost and subsequently stated at cost less accumulated depreciation, amortization and any impairment in value, except for land. Land is subsequently measured at cost less any impairment value. The initial cost of property and equipment comprises its purchase price, including legal and brokerage fees, import duties and nonrefundable purchases taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by management.

Expenses incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are depreciated over their estimated lives or term of the lease, whichever is shorter:

	Number of years
Buildings	20-50
Office equipment	5
Office furniture	5

Leasehold improvements are amortized over the estimated useful lives of the improvements of two years or term of the lease, whichever is shorter.

The estimated useful life and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

#### Impairment of Nonfinancial Asset

The Company assesses at each reporting date whether there are indications that its nonfinancial asset such as input VAT and creditable withholding tax, advances to suppliers, prepaid expenses, and property and equipment may be impaired. The carrying value of this asset is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss on a non-revalued asset is recognized immediately in profit or loss. The Company assesses at each reporting date whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Company considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

#### Output VAT

Output VAT represents VAT imposed on the Company's vatable gross sales or receipts for the sale of goods or services as required by the Philippine taxation laws and regulations. Output VAT is presented as current liability under "Accounts payable and other current liabilities" in the statements of financial position. Output VAT is stated at their undiscounted cash amount to be paid.

#### Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

#### Deposit for Future Stocks Subscription

Deposit for future stock subscriptions which are stated at actual value of non-cash consideration received.

The Company classifies deposit for stock subscription as part of equity if all of the following elements are present as at the end of the period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in authorized capital stock;
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

### Equity

- *Capital stock* is measured at par value for all shares subscribed and paid, or issued.
- *Retained earnings(deficit)* represent the cumulative balance of net profit or loss and any dividend distribution. Dividend distributions are deducted from equity when approved by the shareholders of the Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

### Revenue Recognition

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

### Commission Income

Commissions are recognized as income upon confirmation of trade deals. These are computed for every trade transaction based on a flat rate or a percentage of the amount of trading transaction, whichever is higher.

### Interest Income

Interest income on bank deposits is recognized once credited by the depository bank using the effective interest method.

### Cost and Expense Recognition

Cost of services are recognized upon utilization of the service or at the date they are incurred. Operating and other expenses which include expenses that are related to administrating and operating the business are expensed upon utilization of the services or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

### Interest Expense

Interest expense is recognized in the statements of comprehensive income as it accrues and is calculated using the effective interest rate method.

### Leases

The Company assesses whether the contract 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 the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

### Company as a lessee

The Company recognized ROU assets and a lease liability on the balance sheet.

### Initial and subsequent measurement of ROU asset

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

### 3. Summary of Significant Accounting and Financial Reporting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the applicable amended accounting standards that became effective in the current year. The amendments that became effective in 2023 did not have any significant impact on the Company's financial statements or are not applicable to the Company.

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Company are summarized below and in the succeeding pages. The Company policies have been consistently applied to all years presented unless otherwise stated.

#### Financial Assets and Liabilities

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

The classification of financial assets at initial recognition depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

#### Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI)
- where:
- gains and losses previously recognized are reclassified to profit and loss; and
  - gains and losses previously recognized are not reclassified to profit and loss.

#### *Financial assets measured at amortized cost*

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The Company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category includes cash in bank accounts receivable and refundable security deposit which is held by the Company with the objective to collect the contractual cash flows.

#### *Reclassification*

The Company reclassifies debt investments when and only when its business model for managing those assets changes.



The ROU assets are recognized at the present value of the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statements of financial position.

Subsequently, ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. Otherwise, the Company will depreciate the ROU asset from the commencement date to the earlier of the end of the useful life of each ROU asset or the end of lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

*Initial and subsequent measurement of lease liabilities*

*Lease liabilities* are measured at the present value of remaining lease payments at the date of adoption, discounted using the interest rate implicit to the lease, if that rate can be readily determined. Otherwise, the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by a subsidiary, which does not have recent third party financing,
- makes adjustments specific to the lease, such as term and security, and
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price under a purchase option that the Company is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

Lease liabilities are subsequently measured at amortized cost. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

*Short-term leases and leases of low-value assets*

The Company applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US \$5,000 or ₱260,000). Lease payments are recognized as expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Company's existing contracts do not have non-lease components.

### Employee Benefits

#### Short-term benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

### Income Taxes

Income taxes represent the sum of the tax currently due and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the balance sheet liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at the end of each financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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

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## **4. Management's Use of Judgments and Estimates**

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In preparing the Company's financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The following is a summary of significant judgments and estimates that are applied to the amounts recognized in the financial statements.

### Judgment

In the process of applying the Company's accounting policies, management has made the following judgments.

- *Assessment whether the Lease Agreement is a Finance Lease or Operating Lease*

Management assesses at the inception of the lease whether the arrangement is finance or operating lease based on who bears substantially all the risks and benefits incidental to ownership of the leased item. The Company as a lessee has entered into a lease contract for its office where it has determined that the risks and rewards related to the property are retained by the lessor. As such, the agreement is accounted for as operating lease.

- *Measurement of Refundable Deposits*

The future cash flows of rental deposits from the lease of office cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of lease contract, the new term and conditions thereof are yet known. Further, the deposit that will actually be repaid to the Company is also attached to a conditional repayment provision that is the faithful performance by the Company as a lessee of its obligations under the lease contracts. Accordingly, rental deposits are carried at cost less any impairment.

#### Estimates

The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such.

- *Estimating Realizability of Deferred Tax Assets*

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax asset amounted to ₱0.9million and ₱0.6 million as at December 31, 2023 and 2022, respectively (see Note 14).

## 5. Cash

This account consists of:

	2023	2022
Cash in banks	₱190,844,495	₱249,150,391
Petty cash fund	11,000	11,000
Time deposits	100,000,000	—
	<b>₱290,855,495</b>	<b>₱249,161,391</b>

Cash in banks pertain to savings accounts which earns interest at the prevailing respective banks. Interest income earned, net of final tax, from cash in banks amounted to ₱2,100,170 in 2023 and ₱164,539 in 2022.

The short-term time deposits with maturities of more than three months but less than one year has the rate of 5.375% in 2023.

## 6. Accounts Receivable and Other Receivables

This account consists of:

	2023	2022
Due from principals	₱10,700,420	₱9,506,414
Due from members	1,315,354	1,682,900
Interest receivables	1,982,778	—
Advances to officers and employees	643,827	936,629
Other receivables	1,100,000	250,000
	<b>₱15,742,379</b>	<b>₱12,375,943</b>

Due from principals include to cash bond receivable (CBR) which is 5% of commission income.

Due from members includes personal cash advances made to members or agents and their share in the utilities and plug-ins which are deductible from their commission.

Advances to officers and employees pertain to noninterest-bearing personal cash advances that are collectible through salary deduction.

Management believes that there are no indications of impairment as at December 31, 2023 and 2022. No receivables pledged as collateral to any of the Company's debts December 31, 2023 and 2022.

## 7. Other Current Assets

This account consists of:

	2023	2022
Advances to supplier	327,500	210,000
Prepaid expenses	204,014	153,262
SSS receivable	118,233	157,500
	<b>₱649,747</b>	<b>₱520,762</b>

Advances to suppliers pertain to payments made to suppliers for future services.

Prepaid expenses consist of claims from radiant.

## 8. Property and Equipment

The roll forward analysis of this account follows:

	2023					
	Land	Building	Leasehold improvements	Office Equipment	Office furniture	Total
Cost:						
Balance at beginning of year	₱1,295,133	₱51,946,369	₱3,018,559	₱3,442,443	₱2,218,388	₱61,920,892
Addition during the year		—	—	37,990	78,400	116,390
Balance at end of year	₱1,295,133	₱51,946,369	₱3,018,559	₱3,480,433	₱2,296,788	₱62,037,282
Balance at beginning of year		12,972,123	2,717,291	3,242,719	2,198,121	21,130,254
Depreciation and amortization (Note 14)		1,225,622	69,628	62,118	15,200	1,372,568
Balance at end of year		14,197,745	2,786,919	3,304,837	2,213,321	22,502,822
Net carrying value	₱1,295,133	₱37,748,624	₱231,640	₱175,596	₱83,467	₱39,534,460



	2022					
	Land	Building	Leasehold improvements	Office equipment	Office furniture	Total
Cost:						
Balance at beginning of year	₱1,295,133	₱51,946,369	₱2,670,419	₱3,357,539	₱2,218,388	₱61,487,848
Retirement during the year		—	348,140	84,904	—	433,044
Balance at end of year	1,295,133	51,946,369	3,018,559	3,442,443	2,218,388	61,920,892
Accumulated depreciation and amortization:						
Balance at beginning of year		11,746,502	2,670,419	3,186,632	2,182,921	18,552,970
Depreciation and amortization (Note 14)		1,225,621	46,872	56,087	15,200	1,343,780
Balance at end of year		12,972,123	2,717,291	3,242,719	2,198,121	21,130,254
Net carrying value	₱1,295,133	₱38,974,246	₱301,268	₱199,724	₱20,267	₱40,790,638

Management believes that there are no indications of impairment in the value of its property and equipment as of December 31, 2023 and 2022.

There are no contractual commitments to purchase property and equipment as at December 31, 2023 and 2022. The Company also has no property and equipment that are pledged as collateral for any of the Company's debt.

#### 9. Other Noncurrent Assets

This account consists of:

	Note	2023	2022
Rental and utilities deposits	13	₱3,139,479	₱5,546,552
Investments – PLDT		16,000	16,000
Others		1,955,721	1,885,019
		₱5,111,200	₱7,447,571

Rental and utilities represent security deposits and various meter deposits for lease of office spaces, which are refundable upon termination of the contracts (see Note 13).

Others includes refundable deposit from suppliers, parking space, and various office extension deposit.

#### 10. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
Due to principals	₱313,762,521	₱271,135,368
Due to members – CBR	20,358,793	30,121,508
Withholding tax payable	872,817	772,187
Output tax payable	5,136,509	935,360
Accrued expenses	336,356	407,400
SSS, PHIC and HDMF contributions payable	179,079	147,923
Salaries payable	72,175	47,719
	₱340,718,250	₱303,567,465

Due to principals pertains to collected premiums from policyholders, net of commission earned by the Company, which are due for remittance to life and nonlife insurance companies.

Due to members – CBR represents the amount withheld by the Company from the commission fees (Cost of Services) due to members. This account is equivalent to 5% of commission fees to members and is payable at agreed dates.

Accrued expenses pertain to accrual for security services and utilities incurred by the Company.

### 11. Direct Cost

This account pertains to commission expense which amounted to P44.5 million in 2023 and P38.2 million in 2022.

### 12. Operating Expenses

This account consists of:

	Notes	2023	2022
Salaries		<b>₱21,179,422</b>	₱21,953,983
Depreciation and amortization	8, 13	<b>16,256,921</b>	19,996,940
Professional fee		<b>7,309,487</b>	5,129,748
Training and seminars		<b>5,430,165</b>	3,201,614
SSS, Pag-ibig and Philhealth premiums		<b>2,208,430</b>	2,119,815
Light and water		<b>2,016,779</b>	3,317,159
Taxes and licenses		<b>1,422,956</b>	3,176,686
Telephone and communication		<b>1,134,509</b>	1,107,366
Dues and subscription		<b>1,038,334</b>	416,781
Security and janitorial services		<b>884,055</b>	701,458
Printing and office supplies		<b>192,350</b>	114,482
Advertising and promotions		<b>180,000</b>	180,000
Insurance		<b>151,746</b>	283,765
Transportation and travel		<b>147,708</b>	114,312
Representation and entertainment		<b>107,543</b>	114,312
Miscellaneous office expenses		<b>701,905</b>	—
		<b>₱60,362,310</b>	₱61,855,106

### 13. Lease Commitments

The Company entered into various noncancellable operating lease agreements. Some of the lease agreements include escalation clauses that allow reasonable increase in rates. There are no provisions in the lease agreements that pertain to contingent rentals. The lease terms was for 5 years which are renewable upon mutual agreement with the lessor.

The related security and utilities deposits made regarding these lease agreements amounted to P3.1 million and P5.5 million as at December 2023 and 2022 respectively (see Note 9).



Rollforward analysis of ROU assets follow:

	2023	2022
Cost:		
Balance at beginning and end of year	<b>₱69,305,394</b>	₱69,305,394
Addition during the year	<b>23,255,096</b>	—
Adjustment during the year	<b>(24,513,060)</b>	—
Balance at the end of year	<b>68,047,430</b>	69,305,394
Accumulated amortization:		
Balance at beginning of year	<b>57,387,113</b>	38,733,953
Depreciation and amortization	<b>14,884,353</b>	18,653,160
Adjustment during the year	<b>(42,925,457)</b>	—
Balance at end of year	<b>29,346,009</b>	57,387,113
Net carrying value	<b>₱38,701,421</b>	₱11,918,281

#### Lease liabilities

Rollforward analysis of lease liabilities follows:

	2023	2022
Balance at beginning of year	<b>₱14,592,919</b>	₱32,464,541
Addition during the year	<b>23,255,096</b>	—
Payments made during the year	<b>(13,973,889)</b>	(17,871,622)
Adjustment during the year	<b>17,004,081</b>	—
Balance at end of year	<b>40,878,207</b>	14,592,919
Less current portion	<b>16,603,225</b>	9,515,530
Noncurrent portion	<b>₱24,274,982</b>	₱5,077,389

The interest expense on lease liabilities amounted to ₱1,794,420 in 2023 and ₱482,072 in 2022.

Estimated minimum future lease annual rental payments until 2023 of lease agreements existing as of December 31, 2023 and 2022 are as follows:

	2023	2022
Within one year	<b>₱16,603,225</b>	₱9,515,530
More than one year but not later than five years	<b>24,274,982</b>	5,077,389
	<b>₱40,878,207</b>	₱14,592,919

There are no significant restrictions imposed under the lease agreement.

#### 14. Income Taxes

- a. The Company's current income tax expense in 2023 and 2022 represents RCIT.
- b. The reconciliation between the income tax expense computed at statutory tax rate and the income tax expense shown in the profit or loss is as follows:

	2023	2022
Income before income tax	<b>₱18,941,429</b>	₱1,814,277
Multiplied by statutory tax rate	<b>25%</b>	25%
Income tax computed at statutory tax rate	<b>4,735,357</b>	453,569
Income tax effects of:		
Interest income subjected to final tax	<b>(525,175)</b>	(41,134)
Total income tax expense	<b>4,210,182</b>	412,435
Deferred income tax expense	<b>397,521</b>	315,902
Current income tax	<b>4,607,703</b>	728,337
Income tax at effective tax rate	<b>4,607,703</b>	728,337
Less: Prior year excess credits	<b>97,945,698</b>	86,745,863
Creditable withholding tax	<b>13,997,387</b>	11,780,965
MCIT application	—	147,208
Total tax credits	<b>111,943,085</b>	98,674,035
Creditable withholding tax	<b>(₱107,335,382)</b>	(₱97,945,698)

- c. The components of the Company's deferred tax assets account in the Statements of financial position follow:

	2023		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
Excess of lease liability over ROU	₱595,281	397,521	992,802
Total deferred tax assets	₱595,281	₱397,521	₱992,802

	2022		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
Excess MCIT over RCIT	₱147,208	(₱147,208)	₱—
Excess of lease liability over ROU	279,378	315,903	595,281
Total deferred tax assets	₱426,586	₱168,695	₱595,281



## 15. Financial Instruments

The following carrying amounts of the Company's financial assets and liabilities are measured at undiscounted amounts as discussed in Note 3:

2023				
	Note	Carrying value	Fair value	Significant observable input (Level 2)
Financial assets:				
Cash	5	₱290,855,495	₱290,855,495	₱290,855,495
Accounts receivable and other receivables	6	13,998,552	13,998,552	13,998,552
Refundable and other deposits*	9	5,095,200	5,095,200	5,095,200
		₱309,949,247	₱309,949,247	₱309,949,247
Financial liabilities:				
Accounts payable and other current liabilities**	10	₱334,529,845	₱334,529,845	₱334,529,845

\*Included in other noncurrent assets.

\*\*Excluding government payables amounting to ₱6,188,405 as at December 31, 2023.

2022				
	Note	Carrying value	Fair value	Significant observable input (Level 2)
Financial assets:				
Cash	5	₱249,161,391	₱249,161,391	₱249,161,391
Accounts receivable and other receivables	6	11,189,314	11,189,314	11,189,314
Refundable and other deposits*	9	7,431,571	7,431,571	7,431,571
		₱267,782,276	₱267,782,276	₱267,782,276
Financial liabilities:				
Accounts payable and other current liabilities**	10	₱301,711,995	₱301,711,995	₱301,711,995

\*Included in other noncurrent assets.

\*\*Excluding government payables amounting to ₱1,855,470 as at December 31, 2022.

### Methods and Assumptions Used to Estimate the Fair Value

The carrying value of cash, accounts receivable, accounts payable and other current liabilities approximate the fair value due to the short-term nature of the transactions.

The fair value of refundable and other deposits is the present value of the discounted expected future cash flows using the incremental borrowing rate on the lease agreements in which these relates to.

The carrying value of loans approximate their fair values as their interest rate are based on market rates for debt with the same maturity profiles at the end of the reporting period.

The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

There has been no reclassification to and from Level 1 and 2 categories in 2023 and 2022.



## 16. Financial Risk Management Objectives and Policies and Capital Management

The main purpose of the Company's financial instruments is to fund its operations, acquire and improve property and equipment and to settle obligations. The main risks arising from the use of financial instruments are credit and liquidity risk. The Company's financial instruments comprise of cash, accounts receivable, refundable and other deposits, and accounts payable and other current liabilities. Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Company's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

### *Credit Risk*

The Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and to fully settle unpaid balances. The Company controls this risk through monitoring procedures and regular coordination with the customers. The Company has policies in place to ensure that sales of products are made to those with appropriate credit history. Safeguards are implemented to ascertain that no additional deliveries are made to customers with long outstanding balances. Receivable balances are monitored on an ongoing basis.

### *Credit risk exposure*

Table below shows the maximum exposure to credit risk of the Company as at December 31, 2023 and 2022 without considering the effects of collaterals and other credit risk mitigation techniques:

	2023	2022
Cash (Note 5)	₱290,855,495	₱249,161,391
Accounts receivable and other receivables (Note 6)	15,742,379	12,375,943
Refundable and other deposits (Note 9)	5,095,200	7,431,571
	<b>₱311,693,074</b>	<b>₱268,968,905</b>

### *Credit quality per class of financial assets*

The table below shows the credit quality by class of financial assets as at December 31, 2023 and 2022:

	2023		
	Neither past due nor impaired		Total
	High grade	Standard grade	
Financial assets:			
Cash (Note 5)	₱290,855,495	₱—	₱290,855,495
Accounts receivable and other receivables (Note 6)	—	15,742,379	15,742,379
Refundable and other deposits (Note 9)	—	5,095,200	5,095,200
	<b>₱290,855,495</b>	<b>₱20,837,579</b>	<b>₱311,693,074</b>

	2022		
	Neither past due nor impaired		Total
	High grade	Standard grade	
Financial assets:			
Cash (Note 5)	₱249,161,391	₱—	₱249,161,391
Accounts receivable (Note 6)	—	12,375,943	12,375,943
Refundable and other deposits (Note 9)	—	7,431,571	7,431,571
	₱249,161,391	₱19,807,517	₱268,968,905

There were no financial assets which were considered as past due but not impaired in 2023 and 2022.

High grade cash in banks are working capital cash fund placed or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Other high-grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

#### *Impairment assessment*

The Company applies general approach for determining the ECLs of cash in banks. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates. The management has assessed that above financial assets are not impaired.

Impairment of refundable and other deposits could not be readily determined as the underlying contracts are currently in force and the parties involved have no immediate plan to pre-terminate the leases. The Company is compliant with the lease conditions based on the contracts.

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

No provision for accounts receivable was recognized in 2023 and 2022.

#### *Liquidity Risk*

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Additional short-term funding is obtained from related parties and short-term loans, when necessary. The Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

Table below summarizes the maturity profile of the Company's financial assets and liabilities:

2023					
	Note	On demand	Within one year	Beyond 1 year but not more than 5 years	Total
Financial assets:					
Cash	5	₱290,855,495	₱	₱	₱290,855,495
Accounts receivable	6		13,998,552		13,998,552
Refundable and other deposits*	9			5,095,200	5,095,200
		₱290,855,495	₱13,998,552	₱5,095,200	₱307,140,009
Financial liabilities:					
Accounts payable and other current liabilities**	10	₱-	₱334,529,845	₱-	₱334,529,845

\*Included in other noncurrent assets.

\*\*Excluding government payables amounting to ₱6,188,405 as at December 31, 2023.

2022					
	Note	On demand	Within one year	Beyond 1 year but not more than 5 years	Total
Financial assets:					
Cash	5	₱249,161,391	₱-	₱-	₱249,161,391
Accounts receivable	6	-	11,189,314	-	11,189,314
Refundable and other deposits*	9	-	-	7,431,571	7,431,571
		₱249,161,391	₱11,189,314	₱7,431,571	₱267,782,276
Financial liabilities:					
Accounts payable and other current liabilities**	10	₱-	₱301,711,995	₱-	₱301,711,995

\*Included in other noncurrent assets.

\*\*Excluding government payables amounting to ₱1,855,470 as at December 31, 2022.

## 17. Capital Management

On July 28, 2021, the BOD approved increase in its authorized capital stock from 8,500,000 divided by into 3,000,000 Class A non-voting shares of the par value of 1 each and 5,000,000 Class B voting shares of the par value of 1 each to 98,000,000 divided into 98,000,000 common shares with par value of 1.

On September 30, 2022, the SEC approved the Company's application for increase in its authorized capital stock. The total increase in capital stock of 90,000,000 shares, with a par value of 1 per shares were issued in 2022. The deposit for future capital stock subscription amounting to ₱90,000,000 as at December 31, 2021 was applied as payment for the additional shares.

The Company considers the following as its capital as at December 31, 2023 and 2022:

	2023	2022
Capital stock	₱98,000,000	₱98,000,000
Retained earnings	19,326,428	4,595,181
	₱117,326,428	₱102,595,181



### Authorized and Subscribed Capital stock

The details of the number of Company's authorized and subscribed shares of capital stock in 2023 and 2022 are as follows:

- Number of authorized capital stock

	2023	2022
Balance at beginning of year	98,000,000	8,000,000
Increase during the year	–	90,000,000
Balance at end of year	98,000,000	98,000,000

- Number of subscribed and paid-up stock

	2023	2022
Balance at beginning of year	98,000,000	8,000,000
Subscribed and paid-up during year	–	90,000,000
Balance at end of year	98,000,000	98,000,000

### **18. Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

#### **I. Bureau of Internal Revenue (BIR) Revenue Regulation (RR) No. 15-2010**

On November 25, 2010, the BIR issued Revenue Regulation (RR) No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

The following information on taxes, duties and license fees for taxable year 2023 is presented for purposes of compliance with the disclosure requirements by the BIR as provided for in its RR 15-2010 and is not a required part of the basic financial statements in accordance with PFRS.

- Net sales/receipts declared in the Company's VAT returns

	Net sales/Receipts	Output VAT
Service Income	₱123,507,428	₱14,820,891

- Input VAT claimed against output VAT in 2023 amounted to ₱3,986,468.
- The Company's taxes and licenses shown as part of operating expenses in the statements of comprehensive income are as follows:

Business permits	₱819,963
Real property tax	419,093
Documentary Stamp Tax	67,519
Community tax certificate	10,500
Annual registration fee	500
Others	105,381
	₱1,422,956

## d. Withholding taxes

Expanded and compensation withholding taxes paid and accrued in 2023:

Expanded withholding taxes	₱6,882,463
Tax on compensation and benefits	768,532
	<u>₱7,650,995</u>

## e. There were no accruals nor payments in 2023 for the following taxes:

- Customs duties and tariff fees
- Excise taxes
- Capital gains tax

II. BIR RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020 which prescribed the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending the pertinent provisions of RR No. 19-2020 and RR No. 15-2010.

The Company is not covered by the requirements and procedures for related party transactions under the said RR as it is not one of the following taxpayers required to file and submit the RPT Form together with the Annual Income Tax Return as provided under Section 2 thereof:

- a. Large taxpayer;
- b. Taxpayers enjoying tax incentives, *i.e.* Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
- c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive years; and
- d. A related party, as defined under Section 3 of RR No. 19-2020 which has transactions with (a), (b) or (c) above.

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