PANA HARRISON REINSURANCE BROKERS (PHILS.), INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

MOORE Roxas Tabamo & Co.

Roxas Tabamo & Co.

2nd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue, Makati City 1226 Philippines

T: +632 8844 2016
E: info@roxastabamo.com

roxastabamo.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Pana Harrison Reinsurance Brokers (Phils.), Inc.
Rm. 304 Cattleya Condominium Building
235 Salcedo St., Legaspi Village
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Pana Harrison Reinsurance Brokers (Phils.), Inc.** (the "Company"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 20 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS TABAMO & CO.

Clark Joseph Babor
Clark Joseph C. Babor
Partner
CPA Certificate No. 0119212
Tax Identification No. 248-709-974-000
BIR Accreditation No. 08-001682-019-2022, issued on October 14, 2022,
effective until October 13, 2025
SEC Accreditation No. 119212-SEC, Group B, issued on March 21, 2023
effective until March 21, 2026
IC Accreditation No. 119212-IC, issued on December 17, 2021,
effective until December 16, 2025
PTR No. 10487045, issued on January 16, 2025, Makati City

April 8, 2025
Makati City

PANA HARRISON REINSURANCE BROKERS (PHILS.), INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	Notes	**2024**	2023
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**₱2,289,858**	₱4,337,515
Accounts receivable	*6*	**85,133,579**	77,261,443
Prepaid expenses and other current assets	*7*	**203,837**	96,562
Total Current Assets		**87,627,274**	81,695,520
Noncurrent Assets			
Investments at FVOCI	*8*	**9,343,740**	9,387,283
Property and equipment, net	*9*	**7,556,457**	8,187,229
Deferred tax asset	*17*	**121,063**	73,583
Total Noncurrent Assets		**17,021,260**	17,648,095
		₱104,648,534	₱99,343,615
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Accounts payable	*10*	**₱81,316,239**	₱75,462,360
Other current liabilities	*11*	**857,020**	852,543
Total Liabilities		**82,173,259**	76,314,903
EQUITY			
Share capital	*12*	**4,000,000**	4,000,000
Retained earnings		**4,100,160**	4,071,347
Accumulated comprehensive income	*8,9*	**14,375,115**	14,957,365
Total Equity		**22,475,275**	23,028,712
		₱104,648,534	₱99,343,615

See Notes to the Financial Statements.

PANA HARRISON REINSURANCE BROKERS (PHILS.), INC.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Note	**2024**	2023
Commission income	*13*	**₱2,777,333**	₱2,815,666
Cost of services	*14*	**(1,387,879)**	(1,421,282)
Gross profit		**1,389,454**	1,394,384
Operating expenses	*15*	**(2,361,885)**	(2,322,773)
Other income, net	*16*	**450,296**	500,027
Loss before tax		**(522,135)**	(428,362)
Income tax (expense) benefit	*17*	**12,241**	(9,100)
NET LOSS		**(509,894)**	(437,462)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Unrealized gain (loss) on investments at FVOCI	*8*	**(43,543)**	3,296,212
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱553,437)**	₱2,858,750

See Notes to the Financial Statements.

PANA HARRISON REINSURANCE BROKERS (PHILS.), INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Share capital (Note 12)	Retained Earnings	Accumulated Comprehensive Income	Total
As at January 1, 2023	₱4,000,000	₱3,970,102	₱12,199,860	₱20,169,962
Loss for the year	-	(437,462)	-	(437,462)
Other comprehensive income	-	-	3,296,212	3,296,212
Transfer to retained earnings (Note 9)	-	538,707	(538,707)	-
As at December 31, 2023	4,000,000	4,071,347	14,957,365	23,028,712
Loss for the year	-	(509,894)	-	(509,894)
Other comprehensive loss	-		(43,543)	(43,543)
Transfer to retained earnings (Note 9)	-	538,707	(538,707)	-
As at December 31, 2024	**₱4,000,000**	**₱4,100,160**	**₱14,375,115**	**₱22,475,275**

See Notes to the Financial Statements.

PANA HARRISON REINSURANCE BROKERS (PHILS.), INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(₱522,135)**	(₱428,362)
Adjustments for:			
Depreciation	*9*	**649,462**	617,425
Interest income	*5*	**(5,005)**	(4,941)
Dividend income	*8*	**(72,772)**	(59,904)
Operating income before working capital changes		**49,550**	124,218
Decrease (increase) in:			
Accounts receivable		**(7,872,136)**	1,052,014
Other current assets		**(95,034)**	8,069
Increase in:			
Accounts payable		**5,853,879**	646,028
Other current liabilities		**4,477**	137,270
Cash generated from (used for) operations		**(2,059,264)**	1,967,599
Interest received	*5*	**5,005**	4,941
Income tax paid		**(47,480)**	(23,953)
Dividends received	*8*	**72,772**	59,904
Net cash provided by (used in) operating activities		**(2,028,967)**	2,008,491
CASH FLOW FROM AN INVESTING ACTIVITY			
Acquisition of property and equipment	*9*	**(18,690)**	(350,000)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS		**(2,047,657)**	1,658,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,337,515**	2,679,024
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**₱2,289,858**	₱4,337,515

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Pana Harrison Reinsurance Brokers (Phils.), Inc. (the “Company”), a corporation duly organized and existing under the laws of the Republic of the Philippines was incorporated and registered with the Securities and Exchange Commission (SEC) on June 24, 1986 per SEC Registration No. 133384. It has been established to engage in the business of reinsurance brokerage.

The Company is registered with and licenses by the Insurance Commission (IC) with office address located at Room 304 Cattleya Condominium Building, 235 Salcedo St., Legaspi Village, Makati City.

2. Basis of Preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The Company qualifies to use Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs) based on the definition of a Small Entities under the Revised Securities Regulation Code Rule 68, issued by the SEC. The Company availed of the exemption from the adoption of PFRS for SMEs on the basis that the Company has a secondary license issued by the IC.

The financial statements were approved and authorized for issuance in accordance with a resolution by the Board of Directors (BOD) on April 8, 2025.

Basis of Measurement
The financial statements of the Company have been prepared on the historical cost basis.

Functional and Presentation Currency
The financial statements are presented in Philippine peso (₱), which is the functional currency of the Company. All values are rounded off to the nearest Peso, except when otherwise indicated.

3. Material Accounting Policy Information

The material accounting policy information that have been used in the preparation of the financial statements are set below.

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 amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 7 and PFRS 7, *Supplier Financing Arrangements*. The amendments will have no impact on the amounts recognized in the financial statements but will require additional disclosures to be provided around the Company’s use of supplier financing arrangements.

New and Amended PFRS Issued but Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2024 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*. The amendments clarify the requirements relating to (a) timing of derecognition of liabilities when they are settled using an electronic payments system and (b) how to assess contractual cash flow characteristics of financial assets, including those with environment, social and governance (ESG)-linked features. It also amends the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost.

  While the amendment is applied retrospectively, the comparative period is not restated for this amendment.

- Annual Improvements to PFRS Accounting Standards – Volume 11

  - Amendments to PFRS 7, *Financial Statements – Disclosures*. The amendment addressed a potential confusion in paragraph B38 of PFRS 7 which requires entities to disclose the gain or loss on derecognition of financial assets where a fair value measurement involves unobservable inputs. The confusion arose from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13, Fair Value Measurement was issued. The implementation guidance accompanying PFRS 7 clarifies the disclosures of deferred differences between fair values and transaction prices and, credit risk.

  - Amendments to PAS 7, *Statement of Cash Flows – Cost Method*. The amendment addressed a potential confusion of applying paragraph 37 of PAS 7 that arises from the use of the term ‘cost method’ that is no longer defined in PFRS Accounting Standards.

  These amendments are applied retrospectively with the comparative period restated, except for the amendments relating to derecognition of lease liabilities in PFRS 9, which only applies to lease derecognized on or after the amendment is adopted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, Presentation and Disclosures of Financial Statements. This standard will replace PAS 1, Presentation of Financial Statements. It requires the statement of profit or loss to be broken down into three subsections, operating, investing and financing, similar to the layout of the cash flow statement. It also requires management performance measurers that are used by a company in other communications to be included in a note to the financial statements including a reconciliation to the nearest PFRS equivalent measure. The standard provides additional guidance on the aggregation and disaggregation of information on the face of financial statements and the notes to provide a useful structured summary of the reporting entity’s assets, liabilities, equity, income, and expenses that are useful to users in assessing the prospects for future net cash inflows to the entity and in assessing management’s stewardship of the entity’s economic resources.

  PFRS 18 is applied retrospectively with the comparative period restated.

Current versus Noncurrent Classification

Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification.

An asset is current when it is:

(a) expected to be realized or intended to be sold or consumed in the normal operating cycle;

(b) held primarily for the purpose of trading;

(c) expected to be realized within 12 months after the reporting period; or

(d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is:

(a) expected to be settled in the normal operating cycle;

(b) held primarily for trading;

(c) due to be settled within 12 months after the reporting period; or

(d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements 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 and 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.

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

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2024 and 2023, the Company does not have financial assets and liabilities at FVPL.

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 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.

As at December 31, 2024 and 2023, the Company's cash and cash equivalent and accounts receivables are included under this category (see Notes 5 and 6).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2024 and 2023, the Company's investments in shares of stock are classified under this category.

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.

As at December 31, 2024 and 2023, the Company's liabilities arising from its accounts payable is included under this category (see Note 10).

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 OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI. The Company records an allowance for “expected credit loss” (ECL). 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.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. 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.

For debt instruments measured at amortized cost and FVOCI, 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.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the 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 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 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. 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 the statements of comprehensive income.

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 the statements of comprehensive income.

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 financial liabilities are offset and the net amount 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 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.

Cash and Cash Equivalents
Cash includes cash on hand and in banks which are stated at amortized cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts Receivable
Accounts receivable represents amounts due from ceding companies for reinsurance premiums under reinsurance contracts. These are recognized when earned and are measured at the amount expected to be collected. Accounts receivables are derecognized when settled or when the right to receive cash flows has expired

Prepaid Expenses and Other Current Assets
Prepayments are expenses not yet incurred but paid already. These are measured based on the amount of cash paid and initially recorded as asset. Subsequently, these are recognized in profit or loss as they are amortized or consumed during the operation.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

		No. of years
Condominium units	-	50 years
Office equipment	-	5 years
Computer equipment	-	5 years
Furniture and fixtures	-	5 years
Transportation equipment	-	5 years

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of comprehensive income in the period of retirement and disposal.

At revalued amounts
Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

If a property is revalued, the entire class of assets to which that asset belongs should be revalued.

Revalued assets are depreciated in the same way as under the cost model.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "Accumulated revaluation reserve" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss.

A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss.

<u>Leases</u>
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices (*or* has not elected to separate non-lease components and account for the lease and non-lease components as a single lease component).

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impairment of Non-financial Assets

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its 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 the statements of comprehensive income. After such a reversal, the depreciation charge 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.

Fair Value Measurements

The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization 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.

<u>Provisions</u>
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

<u>Share capital</u>
Common Shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

<u>Retained Earnings</u>
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to fair value reserves on investment securities at FVOCI.

<u>Revenue Recognition</u>
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 a principal in all of its revenue sources.

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

Brokerage income. Brokerage income is billed to clients based on agreed rates. Brokerage income is recognized in the Company's statement of income when it is earned or as the services are provided regardless of when cash is received.

Rent. Revenue from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Interest income. Interest income is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or effective interest rate. Interest income earned is presented net of applicable tax withheld by banks.

Other income. Revenue is recognized when there is an incidental economic benefit, other than from the usual business operations, that will flow to the Company and that can be measured reliably.

Costs and Expenses
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Costs and expenses are presented using the function of expense method. Costs of services are directly attributable in the rendition of services. Operating expenses are costs attributable to the administrative and other business activities of the Company.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits – Minimum Corporate Income Tax (MCIT) and unused tax losses – Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the statements of financial position.

<u>Contingencies</u>
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the 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 the financial statements when an inflow of economic benefits is probable.

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

4. **Use of Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

<u>Judgments</u>
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Evaluating deferred tax. In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

Determining functional currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the Company's sale of services/goods and related costs.

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. There were no pending litigations as at December 31, 2024 and 2023.

Estimates and Assumptions

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

The carrying amounts of receivables amounted to ₱85,133,579 and ₱77,261,443 as at December 31, 2024 and 2023, respectively (see Note 6).

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

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

The carrying values of property and equipment amounted to ₱7,556,457 and ₱8,187,229 as at December 31, 2024 and 2023 (see Note 9).

Realizability of deferred tax assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to ₱121,063 and ₱73,583 as at December 31, 2024 and 2023, respectively (see Note 17).

5. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱3,000**	₱3,000
Cash in banks	**267,694**	2,319,429
Short term investments	**2,019,164**	2,015,086
	₱2,289,858	₱4,337,515

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Company and earn interest at short-term investment rates.

Interest income amounted to ₱5,005 and ₱4,941 in December 31, 2024 and 2023, respectively (see Note 16). Realized foreign exchange (loss) gain amounted to (₱12,039) and ₱15,110 in December 31, 2024 and 2023, respectively (see Note 16).

6. Accounts Receivable

This account consists of:

	2024	2023
Receivable from Ceding Co. – Facultative/Treaty	**₱85,133,579**	₱77,261,443

This represents premiums receivable from ceding company for payment of reinsurance premiums to the reinsurer.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2024	2023
Prepaid license fee	**₱90,900**	₱30,300
Creditable withholding taxes	**72,678**	52,012
Prepaid insurance	**40,259**	14,250
	₱203,837	₱96,562

Prepaid license fee pertains to renewal fee of Company's license to act as Reinsurance Broker's for three (3) years from January 1, 2025 to December 31, 2027.

Creditable withholding taxes pertains to an advance income tax due to the payee.

Prepaid insurance pertains to Company's insurance that includes fidelity bond insurance premium, motor car insurance premium and fire insurance premium of unit 304 and 305.

8. Investments at FVOCI

This account consists of:

	2024	2023
Quoted shares	**₱3,843,740**	₱3,887,283
Valley Golf	**5,500,000**	5,500,000
	₱9,343,740	₱9,387,283

Investments pertain to the shares of stocks representing fractional equity and golf shares.

Dividend income amounted to ₱72,772 and ₱59,904 in 2024 and 2023, respectively (see Note 16).

Movement in the fair values of the investments are as follows:

	2024	2023
Beginning balances	**₱7,415,467**	₱4,119,255
Changes in fair values	**(43,543)**	3,296,212
	₱7,371,924	₱7,415,467

9. Property and Equipment, Net

This account consists of:

	Condominium unit	Office furniture and fixtures	Office equipment	Transportation equipment	Total
Cost					
At January 1, 2023	₱13,057,000	₱219,743	₱1,144,831	₱-	₱14,421,574
Additions	-	-	-	350,000	350,000
At December 31, 2023	13,057,000	219,743	1,144,831	350,000	14,771,574
Additions	-	-	18,690	-	18,690
At December 31, 2024	**13,057,000**	**219,743**	**1,163,521**	**350,000**	**14,790,264**
Accumulated Depreciation					
At January 1, 2023	4,691,070	204,765	1,071,085	-	5,966,920
Depreciation	557,729	10,730	25,632	23,334	617,425
At December 31, 2023	5,248,799	215,495	1,096,717	23,334	6,584,345
Depreciation	557,729	5,366	27,341	70,000	660,436
Adjustment	-	(9,614)	(1,360)	-	(10,974)
At December 31, 2024	**5,806,528**	**211,247**	**1,122,698**	**93,334**	**7,233,807**
Carrying amounts					
At December 31, 2024	**₱7,250,472**	**₱8,496**	**₱40,823**	**₱256,666**	**₱7,556,457**
At December 31, 2023	₱7,808,201	₱4,248	₱48,114	₱326,666	₱8,187,229

The Company's management, after review and assessment of its assets for impairment, believes that there are no indications that the property and equipment as at December 31, 2024 and 2023 are impaired or that its carrying amounts cannot be fully recovered.

On December 27, 2021, the condominium units were appraised by an independent firm of appraisers at ₱9,239,575. The condominium units have been previously revalued in 2016 at ₱5,686,491, resulting to an increase in the asset's carrying amount by ₱3,869,000.

The Company recognized the realization of a portion of the revaluation surplus, which amounted to ₱538,707 in December 31, 2024 and 2023.This amount was transferred from Revaluation Surplus to Retained Earnings within equity. The realization pertains to the portion of the revaluation surplus related to the depreciation of the revalued condominium unit over its remaining useful life.

The fair market value of the condominium units were established with reference to the relative desirability of the property for present and future performance as compared to a property under known or assumed condition of operation, but without regard to the economic condition which might influence the profitability of operation or the status of business or industry as a whole. The condominium units' fair market value is synonymous to the depreciated reproduction or replacement cost of the condominium unit considering its existing condition and upkeep.

Movement in the revaluation are as follows:

	2024	2023
Market value, January 1	**₱7,808,201**	₱8,365,930
Accumulated depreciation	**(557,729)**	(557,729)
Market value, December 31	**₱7,250,472**	₱7,808,201

The carrying values of the condominium units without revaluation amounted to P247,282 and P266,304 as at December 31, 2024 and 2023, respectively.

There are no restrictions on the title of property and equipment, as they are not mortgaged as security for liabilities.

10. Accounts Payable

This represents insurance premiums collected by the Company from Ceding companies which should be remitted to reinsurer which amounted to ₱81,316,239 and ₱75,462,360 in 2024 and 2023, respectively.

11. Other Current Liabilities

This account consists of:

	2024	2023
Value added tax (VAT)	**₱244,989**	₱233,416
Withholding tax	**749**	7,280
Expanded withholding tax	**466**	1,032
Other liabilities	**610,816**	610,815
	₱857,020	₱852,543

Other liabilities pertain to the advance rental deposits for the condominium units.

12. Share Capital

Capital Stock

The Company's capital stock, at ₱100 par value, consists of the following number of shares as at December 31, 2024 and 2023:

Authorized shares	
Common	**40,000**
Par value	**₱100**
Total authorized shares	**₱4,000,000**

Paid-up capital	
Common	**40,000**
Par value	**₱100**
Total paid-up capital	**₱4,000,000**

Any duly registered non-life insurance company who is a party or may become a party to the Reinsurance Agreement and Reinsurance Treaties is allowed to acquire, purchase, or hold shares in the Company. To ensure equal shareholdings at all times, no stockholder shall hold less than or more than 20 shares.

13. Commission Income

The Company's commission income pertains to the fees earned at a point in time from reinsurance brokerage services rendered to the insured, which amounted to ₱2,777,333 and ₱2,815,666, in December 31, 2024 and 2023, respectively.

14. Cost of Services

The Company's cost of services pertains to the salaries and allowances, which amounted to ₱1,387,879 and ₱1,421,282 in December 31, 2024 and 2023, respectively.

15. Operating Expenses

This account consists of:

	Note	**2024**	2023
Transportation and travel		**₱675,289**	₱703,402
Depreciation	*9*	**649,462**	617,425
Utilities		**180,708**	180,620
Membership fees and dues		**163,460**	134,919
Professional fees		**113,720**	91,240
Repairs and maintenance		**110,521**	107,038
Condominium dues and fees		**101,801**	104,219
Taxes and licenses		**86,297**	86,156
Government contributions		**72,070**	64,434
Insurance expense		**66,869**	142,466
Representation and entertainment		**36,605**	41,705
Office supplies		**14,308**	11,481
Charitable contribution		**12,500**	2,000
Other employee benefits		**10,000**	10,000
Advertising expenses		**-**	6,239
Miscellaneous		**68,275**	19,429
		₱2,361,885	₱2,322,773

16. Other Income, Net

This account consists of:

	Note	**2024**	2023
Rental income		**₱336,449**	₱371,963
Dividend income	*8*	**72,772**	59,904
Interest income	*4*	**5,005**	4,941
Gain (loss) on forex translation	*4*	**(12,039)**	15,110
Miscellaneous		**48,109**	48,109
		₱450,296	₱500,027

17. **Income Tax**

The major components of tax expense (benefit) as reported in the statements of comprehensive income (loss) for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Current	**₱35,239**	₱27,443
Deferred	**(47,480)**	(18,343)
	(₱12,241)	₱9,100

The current provision for corporate income tax in 2024 and 2023 represents regular corporate income tax.

The reconciliation of the provision for income tax (benefit from) computed at statutory income tax rate and the provision for income tax (benefit from) shown in the statements of comprehensive income (loss) is as follows:

	2024	2023
Income before tax	**(₱522,135)**	(₱428,362)
Income tax computed at 20% in 2024 and 2023 statutory tax rate	**(104,427)**	(85,672)
Reductions to income tax:		
Interest income subject to final tax	**(1,001)**	(988)
Dividend income subject to final tax	**(14,554)**	(11,981)
Depreciation expense	**107,741**	107,741
Income tax expense (benefit)	**(₱12,241)**	₱9,100

The 2024 and 2023 deferred tax assets pertain to the tax effects of NOLCO and MCIT amounting to ₱121,063 and ₱73,583, respectively.

NOLCO

Year of Incurrence	Amount	Applied	Expired	End	Year of Expiry
2024	61,205	-	-	61,205	2027

MCIT

Year of Incurrence	Amount	Applied	Expired	End	Year of Expiry
2023	₱73,583	₱-	₱-	₱73,583	2026
2024	35,239	-	-	35,239	2027
	₱108,822	₱-	₱-	₱108,822	

Movements in income tax (overpayment) payable are as follows:

	2024	2023
At January 1	**₱9,100**	₱5,610
Charged to profit or loss	**35,239**	27,443
Income tax paid	**(47,480)**	(23,953)
	(₱3,141)	₱9,100

18. **Financial Risk and Capital Management Objectives and Policies**

The Company is exposed, through its operations, to the following financial risks:

- Credit risk
- Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information with respect to these risks is presented throughout these financial statements.

There have been no substantial changes in the Company's exposure to financial instrument risks, objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

General objectives, policies and processes

The BOD has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the BOD is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out in the succeeding pages.

Financial risk management objectives and policies

The Company is exposed to variety of financial risks, which result from both its operating, financing and investing activities. The Company's principal financial instruments comprise cash, receivables, investments and accounts payable. The main purpose of these financial instruments is to finance the Company's operations and administrative expenses.

Financial risk management by the Company is coordinated with its owners, in closed cooperation with the local management. Company policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's results and financial position. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

Credit risk
The Company is exposed to credit risk. This refers to the risk that counterparty will default on its contractual obligations resulting to financial loss to the Company.

The Company trades only with creditworthy third parties. It is the Company's policy that all customers wishing to trade on credit terms are subject to credit verification procedures. Receivables are also monitored on an ongoing basis to reduce the Company's exposure to bad debts.

With respect to credit risk arising from other financial assets, such as cash in banks and financial assets at FVOCI, the Company's exposure to credit risk arises from default of other counterparties. To minimize the risk, the Company has maintained its business relationship with associated banks and institutions, which are considered in the industry as universal.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position which are summarized below:

		2024		2023	
	Note	**Carrying Amount**	**Maximum Exposure**	Carrying amount	Maximum exposure
Cash and cash equivalents	*5*	**₱2,286,858**	**₱2,286,858**	₱4,334,515	₱4,334,515
Accounts receivable	*6*	**85,133,579**	**85,133,579**	77,261,443	77,261,443
Investments at FVOCI	*8*	**9,343,740**	**9,343,740**	9,387,283	9,387,283
		₱96,764,177	**₱96,764,177**	₱90,983,241	₱90,983,241

Outstanding cash and cash equivalents and accounts receivable are considered current and neither past nor impaired.

Liquidity risk
Liquidity risk represents the risk that the Company may encounter difficulty in raising funds to meet its commitments associated with financial instruments. This may arise from the Company's inability to convert its non-cash financial assets into cash as quickly when needed. To cover the financing requirements, management intends to use internally generated funds and proceeds from debt and sale of certain assets.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient assets for its liabilities when it becomes due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company regularly evaluates its projected and actual cash flow generated from operations.

Liquidity risk is managed on the basis of maturity dates of financial liabilities.

The Company's accounts payable amounting to ₱81,316,239 and ₱75,462,360 as at December 31, 2024 and 2023, respectively, are expected to be settled within the next twelve months (see Note 10).

Capital risk management and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to provide benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of its total equity. Total equity comprises all components of equity including share capital, accumulated comprehensive income and retained earnings. Total capital as at December 31, 2024 and 2023 amounted to ₱22,475,275 and ₱23,028,712, respectively.

There were no changes in the Company's approach to capital management during the year.

19. **Financial Assets and Financial Liabilities**

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at December 31, 2024 and 2023:

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash	**₱2,286,858**	**₱2,286,858**	₱4,337,515	₱4,337,515
Accounts receivable	**85,133,579**	**85,133,579**	77,261,443	77,261,443
Financial Assets at FVOCI				
Investments at FVOCI	**9,343,740**	**9,343,740**	9,387,283	9,387,283
Financial Liabilities				
Accounts payable	**81,316,239**	**81,316,239**	75,462,360	75,462,360

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash, accounts receivable and accounts payable: Due to the short-term nature of transactions, the fair values of these financial instruments approximate the carrying amounts as at financial reporting date.

Financial Assets at FVOCI: Fair value were determined by reference to its market bid quotes as at the financial reporting date, which falls under Level 1 of the fair value hierarchy.

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

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements in addition to the disclosures mandated under PFRS.

RR NO. 15-2010

a. Value added tax (VAT)

	Net sales/receipt	Output VAT
Commission Income (Brokerage Fee)	₱2,777,333	₱333,280
Rental Income	336,449	40,374
Miscellaneous Income	48,109	5,773
	₱3,161,891	₱379,427

b. The amount of withholding taxes paid for the year amounted to:

	2024
Tax on compensation	₱20,981
Expanded withholding taxes	32,969
	₱53,950

c. Other Taxes and Licenses

Mayor's permit	₱46,386
Real Estate Tax – Condominium Unit	27,976
Real Estate Tax – Unit 304 and 305	9,025
Community Tax	1,583
Penalty for late payment of Expanded Withholding Tax - BIR Form 0619E	1,327
	₱86,297

RR NO. 34-2020

RR No. 34-2020, *Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010*, was issued to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

As at December 31, 2024, the Company is not covered under Section 2 of RR 34-2020, hence the requirements and procedures for related party transactions provided under the said RR is not applicable.