SECURITIES AND EXCHANGE COMMISSION
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Company Information

SEC Registration No.: 0000094482
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Industry Classification: J68200
Company Type: Stock Corporation

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UNICON
Insurance Brokers Corporation
A JG Summit Company

L25 Robinsons Equitable Tower
ADB Avenue Corner P. Poveda Road
Ortigas Center 1605 Pasig City
Metro Manila, Philippines

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Unicon Insurance Brokers Corporation** (the Company) is responsible for the preparation and fair presentation of the Company's financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., 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.

LANCE Y. GOKONGWEI
Chairman and President

BRIAN M. GO
Chief Financial Officer

Signed this 31st day of May 2022.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

9	4	4	8	2						

COMPANY NAME

UNICON INSURANCE BROKERS CORPO
RATION

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

34th Floor Robinsons Equitable
Tower, ADB Avenue cor. Poveda
Road, Ortigas Center Pasig City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	(02) 395-2581	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
10	First Tuesday of August	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Desiree R. Lopez	Des.Lopez@uniconbrokers.com.ph	(02) 8633-7631	0999 221 9043

CONTACT PERSON's ADDRESS

34th Floor, Robinsons Equitable Tower, ADB Ave., cor Poveda St., Ortigas Center, Pasig City

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Unicon Insurance Brokers Corporation
34th Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Unicon Insurance Brokers Corporation (the Company) which comprise the statements of financial position as at December 31, 2021 and 2020, 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 significant 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

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 PSAs 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 PSAs, 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.

Reports on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Unicon Insurance Brokers Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853488, January 3, 2022, Makati City

June 1, 2022

UNICON INSURANCE BROKERS CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 17)	**₱129,509,681**	₱69,057,526
Short-term investments (Note 6)	**20,756,593**	–
Commission receivables (Note 7)	**5,576,601**	33,201,314
Due from Parent Company (Note 17)	**121,950**	2,989,650
Other current assets (Note 10)	**11,884,402**	6,712,966
	167,849,227	111,961,456
Noncurrent Assets		
Software costs (Note 8)	**1,879,343**	3,905,804
Right-of-use asset (Note 17)	**32,166,006**	8,270,654
Office and transportation equipment (Note 9)	**1,491,982**	26,128
Deferred tax assets (Note 15)	**–**	2,036,606
Other noncurrent assets (Notes 10 and 17)	**2,497,914**	–
	38,035,245	14,239,192
TOTAL ASSETS	**₱205,884,472**	₱126,200,648
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱21,847,447**	₱16,957,478
Due to related parties (Note 17)	**14,523,248**	1,969,810
Dividends payable (Note 16)	**–**	70,000,000
Lease liability (Note 17)	**5,796,524**	3,049,955
Income tax payable (Note 15)	**–**	10,126,017
	42,167,219	102,103,260
Noncurrent Liabilities		
Deferred tax liability (Note 15)	**162,335**	–
Retirement liability (Note 12)	**2,484,111**	4,772,839
Lease liability – noncurrent (Note 17)	**27,019,676**	5,337,311
	29,666,122	10,110,150
Equity		
Capital stock – ₱100 par value	**21,417,000**	12,850,000
Retained earnings	**112,326,303**	2,091,691
Remeasurement gains (losses) on retirement plan (Note 12)	**307,828**	(954,453)
	134,051,131	13,987,238
TOTAL LIABILITIES AND EQUITY	**₱205,884,472**	₱126,200,648

See accompanying Notes to Financial Statements.

UNICON INSURANCE BROKERS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
COMMISSION INCOME	**₱262,122,022**	₱251,452,306
COSTS OF SERVICES (Note 13)	**34,126,923**	21,766,073
GROSS PROFIT	**227,995,099**	229,686,233
OPERATING EXPENSES (Note 14)	**88,202,605**	84,923,211
OPERATING INCOME	**139,792,494**	144,763,022
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss) (Note 6)	**3,732,699**	(595,473)
Interest income (Note 6)	**48,364**	1,810
	3,781,063	(593,663)
INCOME BEFORE INCOME TAX	**143,573,557**	144,169,359
PROVISION FOR INCOME TAX (Note 15)	**33,253,277**	41,077,668
NET INCOME	**110,320,280**	103,091,691
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains on retirement plan (Note 12)	**1,671,332**	993,482
Income tax effect	**(409,051)**	(298,045)
	1,262,281	695,437
TOTAL COMPREHENSIVE INCOME	**₱111,582,561**	₱103,787,128

See accompanying Notes to Financial Statements.

UNICON INSURANCE BROKERS CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	**Retained Earnings**	**Remeasurement Gains (Losses) on Retirement Plan** (Note 12)	**Total**
Balance at January 1, 2021	**₱12,850,000**	**₱2,091,691**	**(₱954,453)**	**₱13,987,238**
Issuance of common stock	**8,567,000**	**–**	**–**	**8,567,000**
Stock transaction costs	**–**	**(85,668)**	**–**	**(85,668)**
Total comprehensive income	**–**	**110,320,280**	**1,262,281**	**111,582,561**
Balance at December 31, 2021	**₱21,417,000**	**₱112,326,303**	**₱307,828**	**₱134,051,131**
Balance at January 1, 2020	₱12,850,000	₱22,160,985	(₱1,649,890)	₱33,361,095
Total comprehensive income	–	103,091,691	695,437	103,787,128
Cash dividends (Note 16)	–	(123,160,985)	–	(123,160,985)
Balance at December 31, 2020	₱12,850,000	₱2,091,691	(₱954,453)	₱13,987,238

See accompanying Notes to Financial Statements.

UNICON INSURANCE BROKERS CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱143,573,557**	₱144,169,359
Adjustments for:		
Depreciation and amortization (Note 14)	**10,401,513**	6,912,555
Retirement expense (Note 12)	**1,126,460**	913,070
Gain on pretermination of lease (Note 17)	**(254,650)**	–
Unrealized foreign exchange loss (gain) – net (Note 6)	**(3,732,699)**	595,473
Interest expense (Note 17)	**700,701**	155,760
Interest income (Note 6)	**(48,634)**	(1,810)
Operating income before working capital changes	**151,766,248**	152,744,407
Decrease (increase) in:		
Commission receivables	**27,624,713**	(16,709,990)
Decrease (increase) in due from Parent Company (Note 17)	**(2,867,700)**	1,995,790
Other current assets (Note 10)	**(36,033,347)**	(23,977,308)
Other noncurrent assets	**2,497,914**	–
Increase (decrease) in:		
Accounts payable and accrued expenses (Note 11)	**4,889,969**	7,835,052
Due to related parties (Note 17)	**12,553,438**	1,969,810
Retirement liability (Note 12)	**(1,457,569)**	–
Net cash generated from operations	**158,973,666**	123,857,761
Interest received	**48,634**	1,810
Interest paid	**–**	(155,760)
Income taxes paid	**(30,852,238)**	(12,592,730)
Net cash generated from operating activities	**128,170,062**	111,111,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Office equipment (Note 9)	**(1,882,858)**	–
Software costs (Note 9)	**(2,182,462)**	–
Net cash generated from (used in) investing activities	**(4,065,320)**	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock (Note 16)	**8,567,000**	–
Dividends paid (Note 16)	**(70,000,000)**	(53,160,985)
Stock issuance cost (Note 16)	**(85,668)**	–
Payment of principal portion of lease liability (Note 17)	**(5,688,056)**	(2,945,404)
Net cash used in financing activities	**(67,206,724)**	(56,106,389)
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH IN BANKS	**3,554,137**	78,783
NET INCREASE IN CASH AND CASH EQUIVALENTS	**60,452,155**	55,083,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**69,057,526**	13,974,051
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱129,509,681**	₱69,057,526

See accompanying Notes to Financial Statements.

UNICON INSURANCE BROKERS CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Unicon Insurance Brokers Corporation (the Company) was incorporated in the Philippines on August 13, 1980 to act as insurance broker in lines such as fire, marine, accident, engineering, life, health, aviation, liability, casualty, plate glass, steam boiler, elevator, burglary, rent, credit, indemnity, earthquake, typhoon, automobile, fidelity and all kinds and classes of insurance and surety bonds.

The principal place of business of the Company is at 34th Floor Robinsons - Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City.

On February 1, 2021, the Board of Directors of the Company approved the subscription of Robinsons Bank Corporation (RBC) to 85,667 common shares which resulted in RBC owning forty percent (40%) of the Company's unissued capital stock. On February 15, 2021, RBC completely paid for the subscription in the amount of ₱8,567,000.

Prior to February 1, 2021, the Company was a wholly owned subsidiary of JG Summit Holdings, Inc. (JGSHI or the Parent Company), a public company listed in the Philippine Stock Exchange.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso (₱), the Company's functional and presentation currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following new pronouncements which were adopted beginning on or after January 1, 2021. The Company did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of the new and amended standards and interpretations did not have any impact on the financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Significant Accounting Policies

Current Versus Noncurrent Classifications
The Company presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the period.

All other liabilities are classified as noncurrent.

Fair Value Measurement
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:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

The fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

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 reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Short-term investments
Short-term investments are investments with original maturities ranging from three to twelve months from dates of placement that are subject to an insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables used are made of data which are not observable, the difference between the transaction price and model value is only recognized 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 amount.

Financial assets
Financial instruments are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payment for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in these categories:

- Financial assets at amortized cost
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include 'Cash and Cash Equivalents', 'Short-term Investments', 'Commission Receivables', and 'Due from Parent Company'.

Financial assets at FVOCI (debt instruments)
The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2021 and 2020, the Company has no financial assets at FVOCI for debt instruments.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2021 and 2020, the Company has no equity investments at FVOCI.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of

principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income. Interest earned on these investments is reported in the consolidated statement of comprehensive income under Other income.

As of December 31, 2021 and 2020, the Company has no financial assets at FVPL.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2021 and 2020, the Company's financial liabilities include 'Due to related parties' and 'Accounts payable and accrued expenses'.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Company and all of the counterparties.

<u>Impairment of Financial Assets</u>
The Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. 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 EIR. 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 commission receivables, the Company applies a 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.

However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Derecognition of Financial Instruments

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over 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 original carrying amount of the 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. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Other Current Assets

Other current assets include creditable withholding taxes, input value-added tax (VAT), advances to officers and employees, and various prepayments which the Company expects to realize or consume the assets within twelve (12) months after the reporting date.

VAT

Input VAT pertains to the 12.0% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services. Output VAT pertains to the 12.0% tax due on the local sale of goods or services by the Company.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under 'Accounts payable and accrued expenses' account. If the input VAT exceeds the output VAT, the excess shall be carried over to the next succeeding months and is included under 'Other current assets' account.

Input VAT on capital goods with acquisition cost exceeding ₱1.0 million is deferred and amortized over the estimated useful life of the capital good. Current and noncurrent portion of deferred input VAT is included under 'Other current assets' and 'Other noncurrent assets' accounts, respectively.

Office and Transportation Equipment

Office and transportation equipment are carried at cost less accumulated depreciation and impairment loss, if any.

The initial cost of office and transportation equipment comprises of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the office and transportation equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which 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 the office and transportation equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the office and transportation equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of 3 to 5 years.

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

An item of office and transportation equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the statement of comprehensive income, in the year the item is derecognized.

When office and transportation equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated office and transportation equipment are retained in the accounts until these are no longer in use.

Software costs

Costs that are directly associated with identifiable and unique software controlled by the Company and will generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. Following initial recognition, capitalized software costs are carried at cost less any accumulated amortization and any accumulated impairment losses.

Costs associated with acquiring the software development programs are recognized as expense when incurred. Expenditures which enhance or extend the performance of software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

Software development costs recognized as assets are amortized using the straight-line method over the estimated useful life of three (3) years, commencing on the date the software is available for use.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Company's software costs (see Note 8), office and transportation equipment (see Note 9), and right-of-use assets (see Note 17).

An assessment is made at each reporting date as to whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and its value in use. The FVLCD is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

Nonfinancial Other Current Assets
The Company provides allowance for impairment losses on nonfinancial other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had there been no impairment loss recognized for that asset in prior years.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses are based on normal credit terms and do not bear interest. These are recognized initially and subsequently at transaction price.

Capital Stock
Common shares are classified as equity for all shares issued and outstanding. Capital stock is recognized when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. Any stock issuance cost incurred is treated as a direct deduction to equity.

When the Company issues more than one class of share, a separate account is maintained for each class of share and the number of shares issued.

Retained Earnings
Retained earnings represents the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, and other capital adjustment, net of any dividend declaration.

Dividends are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors (BOD) and/or stockholders. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting date.

Other Comprehensive Income
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that it is acting as an agent in its revenue arrangements because it does not control the specified goods or services before these are transferred to the customer. Therefore, the Company's revenue is the net amount of consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Commission income
Revenue from commissions is recognized upon collection of insurance companies of premiums from policyholders.

Interest income
Interest is recognized as it accrues taking into account the effective yield on the assets (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the goods and services are used or the expense arises.

Cost of services
Cost of services are incurred in the normal course of business and are recognized when the services are rendered.

Operating expenses
General and administrative expenses consist of costs associated with the development and execution of day-to-day operations of the Company. These are generally recognized when the goods are delivered or services are incurred or the related expense arises.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences including asset revaluations, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized when it 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 income nor taxable income.

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 future taxable income 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 income will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in profit and loss.

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.

Retirement Expense
The Company maintains a funded defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit retirement plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- current service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs.

These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit plan or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefit available in the form of refunds from the plan or reduction from contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency-denominated Transactions
Transactions denominated in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated to Philippine peso at the Bankers Association of the Philippines (BAP) closing rate prevailing at the reporting date, and for foreign currency-denominated income and expenses, at the average PDST weighted average rate for the year. Foreign exchange differentials between the rate at transaction date and the rate at settlement date or reporting date of foreign currency-denominated monetary assets or liabilities are taken to the statement of comprehensive income.

Leases
The Company assesses whether a contract is, or contains a lease, at the inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets, which are presented under 'Noncurrent Assets' in the statement of financial position, are subject to impairment.

The depreciation of ROU assets which mainly pertains to office space is 3 years.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease

term reflected the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not include a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Provisions
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (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 can be made of the amount of the obligation. 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the statement of comprehensive income. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed 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 when an inflow of economic benefits is probable.

Events after the Reporting Date
Any post-year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Company's financial position at the reporting date (adjusting event) is reflected in the financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the financial statements, when material.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in accordance with PFRS requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which may cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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.

Judgment

In the process of applying the Company's accounting policies, the management has made no significant judgment which could have a significant effect on the amounts recognized in the financial statements as of December 31, 2021 and 2020.

Estimates

a. *Recognition of deferred tax assets*

   Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

   The Company's deferred tax assets as of December 31, 2021 and 2020 are disclosed in Note 15.

b. *Estimation of retirement benefits*
The cost of pension and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The retirement liability as of December 31, 2021 and 2020 amounted to ₱2.48 million and ₱4.77 million, respectively. Further details are provided in Note 12.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

c. *Determination of incremental borrowing rate (IBR)*
The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its IBR to measure lease liability. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Company's rating, observed in the period when the lease contract commences or is modified. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The present value of the lease payments is determined using the discount rate representing the rate of interest applicable for currency of the lease contract and for similar tenor, adjusted by credit spread of the Company, observed in the period when the lease contract commences or is modified. Lease liabilities as of December 31, 2021 and 2020 amounted to ₱32.82 million and ₱8.39 million, respectively (see Note 17).

4. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, commission receivables, due from Parent Company, accounts payable and accrued expenses, lease liability and due to related parties.

The BOD reviews and approves policies for managing the Company's financial risks and these are summarized below, together with the related risk management structure.

Risk Management Structure
The Company's risk management structure is closely aligned with that of the Parent Company. The BOD of the Parent Company and the Company are ultimately responsible for the oversight of the Company's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk. The Company's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

a. Credit risk exposure

Credit risk exposure is limited to the carrying amount of the Company's financial assets. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are carried in the statements of financial position. No agreements reducing the maximum exposure to credit risk have been concluded as of the reporting date.

b. Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As to industry, the Company's cash in banks and commission receivables are with financial institutions.

c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets as of December 31, 2021 and 2020, gross of allowance for impairment losses:

	2021				
	Neither Past Due nor Impaired			**Past Due or Individually Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Amortized cost:					
Cash and cash equivalents (Note 6)	**₱129,509,681**	**₱–**	**₱–**	**₱–**	**₱129,509,681**
Short-term investments	**20,756,593**				**20,756,593**
Commission receivables	**5,576,601**	**–**	**–**	**–**	**5,576,601**
Due from Parent Company (Note 17)	**121,950**	**–**	**–**	**–**	**121,950**
Total amortized cost	**₱155,964,825**	**₱-**	**₱–**	**₱–**	**₱155,964,825**

	2020				
	Neither Past Due nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Amortized cost:					
Cash and cash equivalents (Note 6)	₱69,057,526	₱–	₱–	₱–	₱69,057,526
Commission receivables	33,201,314	–	–	–	33,201,314
Due from Parent Company (Note 17)	2,989,650	–	–	–	2,989,650
Total amortized cost	₱105,248,490	₱–	₱–	₱–	₱105,248,490

High grade cash in bank are deposited in foreign and 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 probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

As of December 31, 2021 and 2020, the Company has no past due nor impaired financial assets.

Liquidity risk
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Company's liquidity management involves maintaining a funding capacity to finance capital expenditures, and to accommodate any fluctuations in asset and liability levels due to changes in the Company's business operations or unanticipated events created by customer behavior or capital market conditions.

The Company maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. The Company's fund raising activities may include obtaining bank loans and advances from certain related parties.

The tables below present the maturity profile of the Company's financial instruments as of December 31, 2021 and 2020 based on undiscounted contractual cash flows. The analysis into relevant maturity grouping is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	2021			
	On Demand	**1 to 3 Months**	**3 to 12 months**	**Total**
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents	**₱107,580,111**	**₱21,929,570**	**₱–**	**₱129,509,681**
Short-term investments	–	–	**20,756,593**	**20,756,593**
Commission receivables	–	**5,576,601**	–	**5,576,601**
Due from Parent Company	**121,950**	–	–	**121,950**
	107,702,061	**27,506,171**	**20,756,593**	**155,964,825**
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable	**₱–**	**₱3,299,874**	**₱–**	**₱3,299,874**
Accrued expenses	–	**163,577**	–	**163,577**
Due to related parties	**9,223,000**	**5,300,248**	–	**14,523,248**
Lease liability	–	**1,775,871**	**4,020,653**	**5,796,524**
Others	–	**207,679**	–	**207,679**
	9,223,000	**10,747,249**	**4,020,653**	**23,990,902**
Net undiscounted financial assets (liabilities)	**₱98,479,061**	**₱16,758,922**	**₱16,735,940**	**₱131,973,923**

	2020			
	On Demand	1 to 3 Months	3 to 12 months	Total
Financial Assets				
Financial assets at amortized cost:				
Cash in banks	₱69,057,526	₱644	₱–	₱69,058,170
Commission receivables	–	33,201,314	–	33,201,314
Due from Parent Company	2,989,650	–	–	2,989,650
	72,047,176	33,201,958	–	105,249,134
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable	₱–	₱1,136,261	₱–	₱1,136,261
Accrued expenses	–	224,255	11,463	235,718
Due to related parties	1,969,810	–	–	1,969,810
Lease liability	–	737,601	7,649,665	8,387,266
Others	–	25,127	–	25,127
	1,969,810	2,123,244	7,661,128	11,754,182
Net undiscounted financial assets (liabilities)	₱70,077,366	₱31,078,714	(₱7,661,128)	₱93,494,952

Market risk
Market risk is the risk of loss to future earnings and to fair value or future cash flows of a financial instrument as a result of changes in its price. These are caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

As of December 31, 2021 and 2020, management believes that the Company's financial instruments are not significantly exposed to interest rate risk, equity price risk and other market factors.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's foreign exchange risk results primarily from movements of Peso against the United States Dollar (US$). As of December 31, 2021 and 2020, the Company has US$-denominated cash and cash equivalents amounting to US$1,015,297 (₱51.77 million) and US$285,900 (₱13.73 million), respectively. As of December 31, 2021 and 2020, US$-denominated Short-term investments amount to US$407,000 (₱20.75 million) and nil, respectively.

The closing exchange rates to the Peso used were ₱50.99 to US$1.00 and ₱48.02 to US$1.00 as of December 31, 2021 and 2020, respectively.

The table shows the effect to income of a reasonable change in exchange rates to US$ in which the Company has an exposure. Negative values in the table reflect a potential reduction in income and equity while a positive amount reflects a potential increase.

	Appreciation/ (Depreciation) of Peso	Effect on Income Before Income Tax
2021	**₱1.00**	**₱1,015,297**
	(1.00)	**(1,015,297)**
2020	₱1.00	₱285,900
	(1.00)	(285,900)

There is no other effect to equity other than the effect of a reasonably possible change in the spot rates on currencies to income after tax.

5. Fair Value Measurement

The Company has no financial assets and liabilities measured at fair value as at December 31, 2021 and 2020.

Carrying amounts of cash and cash equivalents, short-term investments, commission receivables, due from Parent Company, accounts payable and accrued expenses, and due to related parties approximate fair values due to either the demand feature or the relatively short-term maturities of these instruments.

The fair value of lease liabilities is estimated using the discounted cash flows methodology, using a discount rate of 2.94%, which is the incremental borrowing rate at the lease commencement date.

6. Cash and Cash Equivalents, Short-term Investments

This account consists of:

	2021	2020
Cash in banks	**₱107,580,111**	₱69,057,526
Cash equivalents	**21,929,570**	–
	₱129,509,681	₱69,057,526

Cash in banks and cash equivalents earns interests at bank deposit rate and coupon rate, respectively. Cash in banks consist of regular checking accounts and saving deposits earning interest of 0.00% to 0.12% in 2021 and 2020. Cash equivalents are time deposit placements with original maturities of less than (3) months earning interest of 0.30% in 2021. As of December 31, 2021 and 2020, interest earned from cash and cash equivalents amounted to ₱32,559 and ₱1,810 in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, cash in banks include peso-denominated deposits amounting to ₱78.73 million and ₱55.33 million, respectively, and US$-denominated deposits amounting to ₱29.84 million and ₱13.73 million, respectively. Cash equivalents include US$-denominated time deposits amounting to ₱21.93 million in 2021. In 2021 and 2020, foreign exchange gain (loss) on cash in banks amounted to ₱3.46 million and (₱0.08 million), respectively. Foreign exchange gain (loss) on cash equivalents amounted to ₱0.17 million in 2021.

<u>Short-term investments</u>
Short-term investments are dollar-denominated time deposit placements with original maturities of three (3) months to twelve (12) months and earning interest of 0.375% in 2021. Interest income earned from short-term investments amounted to ₱15,805 in 2021.

As of December 31, 2021 and 2020, cash equivalents include US$-denominated time deposits amounting to ₱20.76 million and nil, respectively. In 2021 and 2020, foreign exchange gain (loss) on short-term investments amounted to ₱97,723 and nil, respectively.

7. Commission Receivables

The Company's commission receivables are noninterest-bearing and are generally on a thirty (30) to sixty (60) days' term. No provision for impairment loss was recognized in 2021 and 2020.

8. Software Costs

Software costs pertain to the acquired computer software of the Company.

The rollforward analysis of this account follows:

	2021	2020
Cost		
Balance at beginning of year	**₱11,717,410**	₱11,717,410
Additions	**2,182,461**	–
Balance at the end of the year	**13,899,871**	11,717,410
Accumulated Depreciation		
Balance at the beginning of the period	**7,811,606**	3,905,803
Amortization (Note 14)	**4,208,922**	3,905,803
Balance at the end of the period	**12,020,528**	7,811,606
Net Book Value	**₱1,879,343**	₱3,905,804

9. Office and Transportation Equipment

Movements in this account follow:

	2021		
	Office Equipment	**Transportation Equipment**	**Total**
Cost			
Balances at beginning	**₱3,961,723**	**₱1,825,000**	**₱5,786,723**
Additions	**750,715**	**1,132,143**	**1,882,858**
Balances at end of year	**4,712,438**	**2,957,143**	**7,669,581**
Accumulated Depreciation			
Balances at beginning of year	**3,935,597**	**1,824,998**	**5,760,595**
Depreciation (Note 14)	**266,052**	**150,952**	**417,004**
Balances at end of year	**4,201,649**	**1,975,950**	**6,177,599**
Net Book Values	**₱510,789**	**₱981,193**	**₱1,491,982**

	2020		
	Office Equipment	Transportation Equipment	Total
Cost			
Balances at beginning and end of year	₱3,961,723	₱1,825,000	₱5,786,723
Accumulated Depreciation			
Balances at beginning of year	3,851,484	1,824,998	5,676,482
Depreciation (Note 14)	84,113	–	84,113
Balances at end of year	3,935,597	1,824,998	5,760,595
Net Book Values	₱26,126	₱2	₱26,128

Cost of fully depreciated office and transportation equipment still in use in the Company's operations amounted to ₱5.77 million as of December 31, 2021 and 2020.

10. **Other Assets**

This account consists of:

	2021	2020
Current		
Creditable withholding tax	**₱11,222,135**	₱6,214,097
Prepaid expenses	**205,683**	263,520
Deferred input VAT – current portion	**117,743**	129,152
Others	**338,841**	106,197
	11,884,402	6,712,966
Noncurrent		
Security deposit	**2,154,903**	–
Deferred input VAT – noncurrent portion	**343,011**	–
	₱2,497,914	₱–

11. **Accounts Payable and Accrued Expenses**

This account consists of:

	2021	2020
Accrued expenses (Note 17)	**₱9,377,174**	₱1,421,105
Output VAT payable	**6,881,102**	9,261,828
Accounts payable	**3,299,874**	1,136,261
Withholding taxes payable	**1,291,520**	1,005,778
Deferred output VAT	**689,889**	4,107,379
Others	**307,888**	25,127
	₱21,847,447	₱16,957,478

Accrued expenses include accrual of professional fees, contracted services and utility expenses. Accruals are based on prior month's billings or existing contract.

Withholding taxes payable and output VAT payable are remitted to the Bureau of Internal Revenue (BIR) within the due date on the following month. Deferred output VAT which represents output VAT on accrued commission receivable will be remitted to the BIR upon collection.

12. **Retirement Liability**

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The retirement fund is being administered and managed through JG Summit Multi-Employer Retirement Plan with Robinsons Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Company, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on the account of business necessity or adverse economic conditions. The benefits are based on years of service and compensation on the last year of employment.

The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641, The Philippine Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Company meets the minimum retirement benefit under RA 7641.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuation. The latest actuarial valuation report was made as of December 31, 2021. The principal assumptions used in determining the retirement liability of the Company follow:

	2021	2020
Discount rate	**5.16%**	4.11%
Salary increase rate	**8.00%**	4.50%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The changes in retirement liability, present value of defined benefit obligation and fair value of plan assets follow:

		Remeasurements in other comprehensive income									
	January 1, 2021	**Current service cost**	**Net interest**	**Subtotal**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Benefits paid**	**December 31, 2021**
Present value of defined benefit obligation	**₱5,147,503**	**₱930,297**	**₱211,562**	**₱1,141,859**	**₱–**	**(₱797,203)**	**(₱1,644,858)**	**₱765,213**	**(₱1,676,848)**	**(₱1,743,856)**	**₱2,868,658**
Fair value of plan assets	**(374,664)**	**–**	**(15,399)**	**(15,399)**	**5,516**	**–**	**–**	**–**	**5,516**	**–**	**(384,547)**
	₱4,772,839	**₱930,297**	**₱196,163**	**₱1,126,460**	**₱5,516**	**(₱797,203)**	**(₱1,644,858)**	**₱765,213**	**₱1,671,332**	**(₱1,743,856)**	**₱2,484,111**

**Presented under 'Cost of services' in the statements of comprehensive income.*

		Remeasurements in other comprehensive income									
	January 1, 2020	Current service cost	Net interest	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Benefits paid	December 31, 2020
Present value of defined benefit obligation	₱5,206,221	₱673,804	₱256,667	₱930,471	₱–	(₱2,205,226)	₱1,533,887	(₱317,850)	(₱989,189)	₱–	₱5,147,503
Fair value of plan assets	(352,970)	–	(17,401)	(17,401)	(4,293)	–	–	–	(4,293)	–	(374,664)
	₱4,853,251	₱673,804	₱239,266	₱913,070	(₱4,293)	(₱2,205,226)	₱1,533,887	(₱317,850)	(₱993,482)	₱–	₱4,772,839

**Presented under 'Cost of services' in the statements of comprehensive income.*

The Company does not expect to make contributions to its defined benefit retirement plan in 2022.

The fair value of plan assets by class are as follow:

	2021	2020
Assets		
Cash and cash equivalents	**₱3,176**	₱3,185
Investments in debt securities	**353,348**	353,346
Other assets	**28,023**	18,133
	384,547	374,664
Liabilities		
Accrued trust and management fees	**–**	–
	₱384,547	₱374,664

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, assuming all other assumptions were held constant:

		Increase (Decrease)	
	Possible fluctuations	**2021**	2020
Discount rate	+1.00%	**(₱353,298)**	(₱736,452)
	-1.00	**422,867**	921,713
Salary increase rate	+1.00%	**406,610**	908,134
	-1.00	**(347,732)**	(740,337)

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	2021	2020
Less than one year	**₱69,053**	₱61,583
More than one year to five years	**493,438**	443,585
More than five years to 10 years	**6,130,371**	4,127,704

The average duration of the defined benefit obligation as of December 31, 2021 and 2020 is 13.50 years and 16.10 years, respectively.

13. Costs of Services

This account consists of:

	2021	2020
Salaries and wages	**₱28,813,543**	₱17,647,845
Other employee benefits	**4,186,920**	3,205,158
Retirement expense (Note 12)	**1,126,460**	913,070
	₱34,126,923	₱21,766,073

14. Operating Expenses

This account consists of:

	2021	2020
Management fees (Note 17)	**₱54,600,000**	₱54,600,000
Contracted services (Note 17)	**10,502,719**	10,133,398
Depreciation and amortization (Note 8 and 9)	**10,401,513**	6,912,556
Travel and transportation	**4,184,421**	6,914,810
Information and technology (Note 17)	**2,360,000**	2,439,923
Entertainment, amusement and recreation	**1,110,988**	1,344,342
Association dues (Note 17)	**1,021,253**	725,382
Insurance	**832,167**	528,781
Interest on lease liability (Note 17)	**700,701**	155,760
Repairs and maintenance	**593,384**	55,265
Communications	**518,627**	159,595
Stationery and office supplies	**402,679**	141,964
Taxes and licenses	**388,622**	303,723
Utilities (Note 17)	**203,236**	298,125
Professional fees	**114,679**	121,750
Others	**267,616**	87,837
	₱88,202,605	₱84,923,211

Other operating expenses include advertising and promotions, trainings and seminars, meetings and conferences, subscription and dues, bank charges and other miscellaneous expenses.

Depreciation and amortization consist of:

	2021	2020
Software costs (Note 8)	**₱4,208,922**	₱3,905,803
Right-of-use assets (Note 17)	**5,775,587**	2,922,639
Office and transportation equipment (Note 9)	**417,004**	84,113
	₱10,401,513	₱6,912,555

15. Income Taxes

Provision for income tax consists of:

	2021	2020
Current	**₱30,861,911**	₱41,439,094
Deferred	**2,381,693**	(361,562)
Final	**9,673**	136
	₱33,253,277	₱41,077,668

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.00% for peso deposits and 7.50% for foreign currency deposits on gross interest income from bank deposits.

Current tax regulations provide that the RCIT shall be 25.00%. Interest allowed as a deductible expense is reduced by 33.00% of interest income subject to final tax. The regulations also provide for MCIT of 1.00% on modified gross income which is computed and compared with RCIT. The excess of MCIT over the RCIT and the NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

Current tax regulations also provide that the optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim OSD instead of itemized deduction.

Current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreational (EAR) expenses that can be claimed as deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The Company's EAR expenses amounted to ₱1.11 million and ₱1.34 million in 2021 and 2020, respectively.

Net deferred tax asset (liability) consists of the following:

	2021	2020
Deferred tax assets (liabilities) recognized in profit and loss		
Retirement liability	**₱529,834**	₱937,754
Unamortized past service cost	**317,828**	487,524
Unrealized foreign exchange loss (gain)	**(933,175)**	202,277
	(85,513)	1,627,555
Deferred tax assets recognized in OCI		
Remeasurement (gains) losses on retirement plan	**(76,822)**	409,051
	(₱162,335)	₱2,036,606

The reconciliation of the Company's statutory income tax to effective income tax follows:

	2021	2020
Statutory income tax rate	**₱35,893,389**	₱43,250,808
Tax effect of:		
Interest income subjected to final tax	**(4,836)**	(407)
Additional deductible expenses under OSD	**(826,128)**	(2,149,099)
Nondeductible expenses	**1,019,301**	178,642
Change in deferred tax	–	(202,276)
CREATE impact		
Current year tax	**(2,489,015)**	–
Deferred tax	**(339,434)**	–
Effective income tax rate	**₱33,253,277**	₱41,077,668

16. **Equity**

Capital Stock
As of December 31, 2021 and 2020, the Company's capital stock consists of:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Common stock - ₱100.00 par value				
Authorized	**500,000**	**₱50,000,000**	500,000	₱50,000,000
Issued and outstanding	**214,170**	**₱21,417,000**	128,500	₱12,850,000

The Company incurred transaction costs amounting to ₱85,668 in connection with stocks issued during the year. These costs were recorded as a direct deduction to equity in the statement of financial position.

Cash Dividends
The following cash dividends were declared and paid in 2020:

Year	Approval Date	Date of Record	Payment Date	Dividend Per Share	Amount
2020	October 20, 2020	October 15, 2020	October 30, 2020	₱172.46	₱22,160,985
	December 9, 2020	December 18, 2020	December 28, 2020	241.24	31,000,000
	December 28, 2020	January 31, 2021	March 1, 2021	544.75	70,000,000

There were no cash dividends declared during 2021.

Capital Management
The primary objective of the Company's capital management is to maximize shareholders' value.

The Company manages its capital structure in proportion to its risk-taking activities and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may infuse additional capital. The Company considers its total equity as capital. No changes have been made in the objective, policies and processes as they have been applied in previous years.

Capitalization Requirement
In April 2006, the Insurance Commission issued Insurance Memorandum Circular No. 1-2006 increasing the capitalization requirement for insurance and reinsurance brokers on a staggered basis as follows:

Compliance Date	Required Net Worth
On or before December 31, 2006	₱2,000,000
On or before December 31, 2007	4,000,000
On or before December 31, 2008	6,000,000
On or before December 31, 2009	8,000,000
On or before December 31, 2010	10,000,000

As of December 31, 2021 and 2020, the required minimum statutory net worth for the Company, being an insurance broker is ₱10.00 million. The Company has complied with the minimum capital requirement.

17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be corporate entities or individuals including key management personnel or those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any member of the BOD of the Company.

Transactions between related parties are based on terms similar to those offered to nonrelated parties. These transactions principally consist of services rendered and noninterest-bearing advances which are payable on demand.

		2021			
Related Parties	**Transactions**	**Amount/ Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Nature, Terms and Conditions**
Parent Company					
	Due from (to) related parties	**(₱15,421,138)**	**(₱14,401,298)**	**₱–**	See paragraph below
	Right-of-use asset	**23,895,352**	**32,166,006**	–	See paragraph below
	Lease liability	**24,428,934**	**32,816,200**	–	See paragraph below
	Management fees	**54,600,000**	–	**54,600,000**	See paragraph below
	Contracted services	**2,545,873**	–	**2,545,873**	See paragraph below
	Information and technology	**2,160,000**	–	**2,160,000**	Refers to computer-related expenses; noninterest-bearing
	Association dues	**1,021,253**	–	**1,021,253**	Refers to administrative expenses; noninterest-bearing
	Depreciation	**5,775,587**	–	**5,775,587**	See paragraph below
	Interest expense	**700,701**	–	**700,701**	See paragraph below
	Utilities	**203,326**	–	**298,125**	Refers to utility expenses from leased premises; noninterest-bearing
Other Related Parties					
	Cash and cash equivalents	**48,888,014**	**102,363,105**	–	Current and savings deposit accounts and time deposits
	Short-term investments	**20,756,593**	**20,756,953**	–	Time deposits with maturity of 3 to 12 months
	Accrued expenses	**8,071,868**	**8,071,868**	–	On-demand and noninterest-bearing
	Contracted services	**7,956,846**	–	**7,956,846**	See paragraph below

		2020			
Related Parties	Transactions	Amount/ Volume	Statement of Financial Position	Statement of Comprehensive Income	Nature, Terms and Conditions
Parent Company					
	Due from (to) related parties	(₱1,995,790)	₱2,989,650	₱–	See paragraph below
	Right-of-use asset	6,681,992	8,270,654	–	See paragraph below
	Lease liability	6,669,227	8,387,266	–	See paragraph below
	Management fees	54,600,000	–	54,600,000	See paragraph below
	Contracted services	2,524,084	–	2,524,084	See paragraph below

(Forward)

		2020			
Related Parties	Transactions	Amount/ Volume	Statement of Financial Position	Statement of Comprehensive Income	Nature, Terms and Conditions
	Information and technology	₱2,160,000	₱–	₱2,160,000	Refers to computer-related expenses; noninterest-bearing
	Association dues	725,382	–	725,382	Refers to administrative expenses; noninterest-bearing
	Depreciation	2,922,639	–	2,922,639	See paragraph below
	Interest expense	155,760	–	155,760	See paragraph below
	Utilities	298,125	–	298,125	Refers to utility expenses from leased premises; noninterest-bearing
Other Related Parties					
	Cash in bank	43,075,567	10,399,524	–	Current and savings deposit accounts
	Accrued expenses	1,969,810	1,969,810	–	On-demand and noninterest-bearing
	Contracted services	7,075,993	–	7,075,993	See paragraph below

Terms and conditions of transactions with related parties
Outstanding balances as of December 31, 2021 and 2020 are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Remuneration of directors and other key management personnel
The Company considers as key management personnel all employees holding managerial positions up to president. Compensation of the Company's key management personnel in 2021 and 2020 are shouldered by the Parent Company.

Management fees and other contracted services
These pertain to monthly charges billed by the Parent Company and certain affiliates for the following administrative and support services rendered to the Company:

- human resource and employee administration;
- audit, legal and regulatory services;
- accounting and financial services;
- procurement and IT services;
- security services; and
- general administrative functions.

Lease agreements
In 2016, the Company entered into a lease agreement with its Parent Company covering its office space with a lease term commencing on January 1, 2016 to July 31, 2017. In 2020, the lease agreement was renewed with a 3-year lease term commencing on August 1, 2020 to July 31, 2023.

In 2021, the Company pre-terminated its lease contract and then entered into a new lease agreement with its Parent Company, which commenced on July 15, 2021 to July 14, 2026. The Company recognized gain on pre-termination amounting to

In addition to the above lease payments, additional charges such as association dues, utilities, information and technology, security services and other contracted services were charged in connection with the lease.

The rollforward analysis of right-of-use asset follows:

	2021	2020
Cost		
Balance at January 1	**₱9,604,631**	₱4,312,083
Additions	**36,074,026**	9,604,631
Derecognition	**(9,604,631)**	(4,312,083)
Balance at December 31	**36,074,026**	9,604,631
Accumulated Depreciation		
Balance at January 1	**1,333,977**	2,723,421
Depreciation expense	**5,775,587**	2,922,639
Derecognition	**(3,201,544)**	(4,312,083)
At December 31, Ending Balance	**3,908,020**	1,333,977
Net book value	**₱32,166,006**	₱8,270,654

The rollforward of lease liability follows:

	2021	2020
Balance at January 1	**₱8,387,266**	₱1,728,039
Additions	**36,074,026**	9,604,631
Interest expense	**700,701**	155,760
Derecognition	**(6,657,737)**	–
Payments	**(5,688,056)**	(3,101,164)
Balance at December 31	**₱32,816,200**	₱8,387,266

The following are the amounts recognized in the statement of comprehensive income (see Note 14):

	2021	2020
Depreciation expense on right-of-use asset	**₱5,775,587**	₱2,922,639
Interest expense on lease liability	**700,701**	155,760
	₱6,476,288	₱3,078,399

Future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
Less than one year	**₱5,796,524**	₱3,049,955
More than one year but less than 5 years	**27,019,676**	5,337,311
	₱32,816,200	₱8,387,266

Transactions with retirement fund
Included in the Company's retirement plan assets as of December 31, 2021 and 2020 is a special savings deposit with RBC which bears an annual interest rate ranging from 3.00% to 5.75%. There were no transactions made between the Company and the retirement fund as of December 31, 2021 and 2020.

The total fair values of the retirement plan assets as of December 31, 2021 and 2020 are disclosed in Note 12.

Other related party transactions
Commission income earned from insurance companies includes those arising from brokering arrangements with related parties.

18. Supplemental Disclosure of Noncash Operating Activities

The principal non-cash activities of the Company are as follows:

a. The Company applied a portion of its outstanding creditable withholding tax amounting to ₱34.64 million and ₱28.07 million to its outstanding income tax payable in 2021 and 2020, respectively.

The table below summarizes the changes in lease liabilities, including both changes arising from cash flows and non-cash changes.

	At January 1	Additions	Settlements	Other Adjustments	At December 31
2021	**₱8,387,266**	**₱36,074,026**	**₱4,987,355**	**₱6,657,737**	**₱32,816,200**
2020	₱1,728,039	₱9,604,631	₱2,945,404	₱–	₱8,387,266

19. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were authorized for issuance by the BOD on June 1, 2022.

20. Events after the Reporting Date

Cash dividend
On February 2, 2022, the Board of Directors of the Company approved the declaration of cash dividend in the aggregate amount of ₱94,500,000 in favor of stockholders of record as of December 31, 2021. The cash dividend was distributed on February 12, 2022.

21. Supplementary Information Required under Revenue Regulations No. 15-2010

The Company reported and/or paid the following types of taxes for the year:

a. Output VAT

Amounts declared in the Company's VAT returns filed for 2021 are, as follows:

	Net Sales/ Receipts	Output VAT
Taxable services:		
Commissions	₱320,451,996	₱38,454,240

The Company's commission income is based on actual collections received hence, may not be the same as amounts accrued in profit or loss.

The Company has no zero-rated/exempt sales during the taxable year.

b. Input VAT

Balance as of January 1, 2021		₱–
Current year's domestic purchases/payments for:		
Domestic purchase of services	₱8,887,782	
Domestic purchase of goods	58,980	
Capital goods subject to amortization	147,226	9,094,028
Total VAT payments for the year		–
Less: Output VAT during the year		(9,094,028)
Balance as of December 31, 2021		₱–

c. Other Taxes and Licenses

Details consist of the following:

License and permits fees	₱375,358
Documentary stamp tax	3,000
Community tax certificate fee	10,264
	₱388,622

d. Withholding Taxes

The amount of withholding taxes remitted for the year amounted to:

Expanded withholding taxes	₱8,770,154
Withholding taxes on compensation and benefits	3,482,362
	₱12,252,516

As of December 31, 2021, the Company has outstanding withholding taxes amounting to ₱1.3 million**.**

e. Tax Assessments and Cases

As of December 31, 2021, the Company received Letters of Authority for the examination of the Company's books for the taxable years ended December 31, 2018 and 2019. The tax authorities have not presented yet their updated assessments. Management believes that there are no material findings that may affect the financial statements for the year.

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Unicon Insurance Brokers Corporation
34th Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road
Ortigas Center, Pasig City

We have audited the financial statements of Unicon Insurance Brokers Corporation (the Company) for the years ended December 31, 2021 and 2020, on which we have rendered the attached report dated June 1, 2022.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has two (2) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853488, January 3, 2022, Makati City

June 1, 2022

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Philippines

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Unicon Insurance Brokers Corporation
34th Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Unicon Insurance Brokers Corporation (the Company) as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated May 31, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of reconciliation of retained earnings available for dividend declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with Revised Securities Regulation Code Rule No. 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
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PTR No. 8853488, January 3, 2022, Makati City

June 1, 2022

UNICON INSURANCE BROKERS CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION REQUIRED UNDER SRC RULE 68

Unappropriated Retained Earnings, beginning	₱2,091,691
Adjustment: Recognized deferred tax assets	–
Unappropriated Retained Earnings, as adjusted, beginning	2,091,691
Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	110,320,280
Movement in recognized deferred tax assets	(2,198,941)
	108,121,339
Less: Dividends declaration during the year	–
Stock transaction costs	(85,668)
	108,035,671
Total Retained Earnings available for dividend declaration as of December 31, 2021	**₱110,127,362**

Ma. Desiree R. Lopez

From: Mizpha Joy B. Cayabyab
Sent: Friday, June 3, 2022 4:38 PM
To: Ma. Desiree R. Lopez
Subject: FW: [EXTERNAL]:Your BIR AFS eSubmission uploads were received

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From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Friday, June 3, 2022 4:13 PM
To: Mizpha Joy B. Cayabyab <MizphaJoy.Cayabyab@jgsummit.com.ph>
Cc: Mizpha Joy B. Cayabyab <MizphaJoy.Cayabyab@jgsummit.com.ph>
Subject: [EXTERNAL]:Your BIR AFS eSubmission uploads were received

Hi UNICON INSURANCE BROKERS CORPORATION,

Valid files

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- EAFS000284602RPTTY122021.pdf
- EAFS000284602ITRTY122021.pdf
- EAFS000284602AFSTY122021.pdf
- EAFS000284602TCRTY122021-01.pdf

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- <None>

Transaction Code: **AFS-0-886ELB60NMPSVTMZMXZ3QWR10AFG85L7H**
Submission Date/Time: **Jun 03, 2022 04:13 PM**
Company TIN: **000-284-602**

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