Unicon Insurance and Reinsurance Brokers Corporation

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Unicon Insurance and Reinsurance Brokers Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Unicon Insurance and Reinsurance Brokers Corporation (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

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 PFRS Accounting Standards, 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.

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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 22 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 and Reinsurance 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.

Juan Carlo Maminta

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PTR No. 10465333, January 2, 2025, Makati City

April 25, 2025

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 17)	**₱117,459,802**	₱184,009,688
Commission receivables (Note 7)	**289,337,844**	176,951,634
Due from a related party (Note 17)	**147,728**	147,728
Other current assets (Note 10)	**9,285,637**	7,155,275
	416,231,011	368,264,325
Noncurrent Assets		
Software costs (Note 8)	**9,653,034**	4,799,008
Property and equipment (Note 9)	**12,822,848**	14,182,689
Right-of-use assets (Note 17)	**11,627,456**	18,999,853
Deferred tax assets (Note 15)	**1,099,170**	2,033,289
Other noncurrent assets (Notes 10)	**2,627,248**	2,510,041
	37,829,756	42,524,880
TOTAL ASSETS	**₱454,060,767**	₱410,789,205
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱76,680,528**	₱73,831,726
Due to related parties (Note 17)	**11,135,134**	8,721,244
Lease liabilities - current (Note 17)	**8,451,628**	7,754,663
	96,267,290	90,307,633
Noncurrent Liabilities		
Retirement liability - net (Note 12)	**2,505,204**	589,031
Lease liabilities - noncurrent (Note 17)	**4,829,341**	13,280,900
	7,334,545	13,869,931
Equity		
Capital stock - ₱100 par value (Note 16)		
Authorized - 500,000 shares		
Issued - 128,500 shares	**69,055,000**	50,000,000
Deposit for future stock subscription (Note 16)	**–**	19,055,000
Retained earnings		
Appropriated (Note 16)	**21,825,340**	21,825,340
Unappropriated (Note 16)	**259,646,134**	214,906,715
Remeasurement gain (loss) on retirement plan (Note 12)	**(67,542)**	824,586
	350,458,932	306,611,641
TOTAL LIABILITIES AND EQUITY	**₱454,060,767**	₱410,789,205

See accompanying Notes to Financial Statements.

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
REVENUE		
Commission income	**₱454,469,377**	₱401,011,476
Service fees	**3,984,417**	15,091,269
	458,453,794	416,102,745
COSTS OF SERVICES (Note 13)	**75,727,191**	64,465,520
GROSS PROFIT	**382,726,603**	351,637,225
OPERATING EXPENSES (Note 14)	**112,796,443**	120,028,512
OPERATING INCOME	**269,930,160**	231,608,713
OTHER INCOME		
Interest income (Note 6)	**3,537,171**	2,257,029
Foreign exchange gain (loss) (Note 6)	**2,899,795**	(397,315)
Other income	**1,575,554**	113,254
	8,012,520	1,972,968
INCOME BEFORE INCOME TAX	**277,942,680**	233,581,681
PROVISION FOR INCOME TAX (Note 15)	**60,565,761**	51,552,226
NET INCOME	**217,376,919**	182,029,455
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that do not recycle to profit or loss in subsequent periods:		
Remeasurement losses on retirement plan (Note 12)	**(1,189,504)**	(798,899)
Income tax effect	**297,376**	199,725
	(892,128)	(599,174)
TOTAL COMPREHENSIVE INCOME	**₱216,484,791**	₱181,430,281

See accompanying Notes to Financial Statements.

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	Capital stock	Deposit for future stock subscription (Note 16)	Appropriated retained earnings (Note 16)	Unappropriated retained earnings (Note 16)	Remeasurement gain (loss) on retirement plan (Note 12)	Total
Balance at January 1, 2024	**₱50,000,000**	**₱19,055,000**	**₱21,825,340**	**₱214,906,715**	**₱824,586**	**₱306,611,641**
Issuance of common stock (Note 16)	**19,055,000**	**(19,055,000)**	–	–	–	–
Total comprehensive income	–	–	–	**217,376,919**	**(892,128)**	**216,484,791**
Cash dividends (Note 16)	–	–	–	**(172,637,500)**	–	**(172,637,500)**
Balance at December 31, 2024	**₱69,055,000**	**₱–**	**₱21,825,340**	**₱259,646,134**	**(₱67,542)**	**₱350,458,932**
Balance at January 1, 2023	₱21,417,000	₱–	₱–	₱173,285,600	₱1,423,760	₱196,126,360
Issuance of common stock (Note 16)	28,583,000	–	–	–	–	28,583,000
Deposit for future stock subscription (Note 16)	–	19,055,000	–	–	–	19,055,000
Appropriations (Note 16)	–	–	21,825,340	(21,825,340)	–	–
Total comprehensive income	–	–	–	182,029,455	(599,174)	181,430,281
Cash dividends (Note 16)	–	–	–	(118,583,000)	–	(118,583,000)
Balance at December 31, 2023	₱50,000,000	₱19,055,000	₱21,825,340	₱214,906,715	₱824,586	₱306,611,641

See accompanying Notes to Financial Statements.

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱277,942,680**	₱233,581,681
Adjustments for:		
Depreciation and amortization (Note 14)	**14,116,926**	13,910,439
Interest income (Note 6)	**(3,537,171)**	(2,257,029)
Provision for probable losses (Note 14)	**2,904,585**	11,500,000
Retirement expense (Note 12)	**2,726,669**	1,857,824
Unrealized foreign exchange loss (Note 6)	**687,175**	113,268
Interest expense (Note 17)	**584,933**	791,545
Loss on disposal of property and equipment (Note 9)	**6,779**	–
Provision for credit losses (Note 14)	–	4,100,000
Operating income before working capital changes	**295,432,576**	263,597,728
Decrease (increase) in:		
Commission receivables	**(112,386,210)**	(80,492,981)
Other current assets	**(2,130,362)**	(342,074)
Other noncurrent assets	**(117,208)**	(142,725)
Due from related party	–	371,972
Increase (decrease) in:		
Due to related parties	**2,413,890**	(2,917,951)
Accounts payable and accrued expenses	**(55,783)**	37,043,744
Net cash generated from operations	**183,156,903**	217,117,713
Income taxes paid	**(59,334,266)**	(53,209,182)
Interest received	**3,537,171**	2,257,029
Contributions to the retirement fund (Note 12)	**(2,000,000)**	(1,500,000)
Net cash generated from operating activities	**125,359,808**	164,665,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and office equipment (Note 9)	**(5,391,466)**	(3,358,279)
Acquisition of software costs (Note 8)	**(4,854,026)**	(4,799,008)
Net cash used in investing activities	**(10,245,492)**	(8,157,287)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 16)	**(172,637,500)**	(118,583,000)
Payment of principal portion of lease liabilities (Notes 17 and 19)	**(8,339,527)**	(7,860,709)
Proceeds from issuance of common stock (Note 16)	–	28,583,000
Deposit for future stock subscription (Note 16)	–	19,055,000
Net cash used in financing activities	**(180,977,027)**	(78,805,709)
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH IN BANKS	**(687,175)**	(113,268)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(66,549,886)**	77,589,296
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**184,009,688**	106,420,392
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱117,459,802**	₱184,009,688

See accompanying Notes to Financial Statements.

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

Unicon Insurance and Reinsurance 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.

On August 2, 2023, the Securities and Exchange Commission (SEC) approved the change in the Company's corporate name to Unicon Insurance and Reinsurance Brokers Corporation and to include reinsurance to its primary purpose. These amendments to the Articles of Incorporation (AOI) were approved by the Company's shareholders and Board of Directors on March 7, 2023. The Company had filed an application for reinsurance license with the Insurance Commission (IC) on September 29, 2023. The Commission granted the license effective April 30, 2024.

In a special meeting on November 21, 2023, the Board of Directors and stockholders owning more than two-thirds of the Company's outstanding capital stock approved a resolution to amend the Articles of Incorporation (AOI) allowing the Company to act as an HMO broker and to increase the authorized capital stock to 700,000 shares. The SEC approved these amendments on February 26, 2024, respectively. The IC approved the HMO broker's license of the Company on May 16, 2024.

Prior to March 7, 2023, the Company is 60% owned by JGSHI and 40% owned by Robinsons Bank Corporation (RBC). On March 7, 2023, the Board of Directors approved the additional subscription of JG Summit Holdings, Inc. (JGSHI or Parent Company), a public company listed in the Philippine Stock Exchange (PSE), to 285,830 common shares which resulted to JGSHI owning eighty seven percent (87%) of the Company's capital stock.

On February 26, 2024, the SEC approved an increase in the Company's authorized capital stock. Following this approval, the Company issued additional 190,550 to Bank of the Philippine Islands (BPI). The Company is now 60% owned by JGSHI and 40% owned by BPI.

On September 30, 2022, the Board of Directors of RBC approved the Plan of Merger with BPI with the latter as the surviving entity.

On January 17, 2023, at the special stockholders' meeting of RBC called for the purpose, its stockholders owning more than two thirds (2/3) of all issued and outstanding shares approved the plan of merger and articles of merger with BPI. On January 26, 2023, RBC and BPI jointly filed with the Bangko Sentral ng Pilipinas (BSP) and the SEC their request for approval of their statutory merger.

The Philippine Competition Commission (PCC) approved the Plan of Merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023, with January 1, 2024 as the effective date of the merger. Effective January 1, 2024, BPI is now the owner of shares of the Company.

The principal place of business of the Company is at 25th Floor Robinsons - Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City.

2. Material Accounting Policy Information

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 (PFRS) Accounting Standards.

The Company qualifies as a small and medium-sized entity (SME) in accordance with the PFRS for Small and Medium-sized Entities (PFRS for SMEs) which was adopted by the Philippine Financial Reporting Standards Council and Securities and Exchange Commission (SEC) on October 13, 2009 and December 3, 2009, respectively. However, since the Company is a subsidiary of JGSHI which is preparing its financial statements in accordance with full PFRS, the Company availed of the exemption approved by the Philippine SEC for not adopting PFRS for SMEs. As such, the Company continued to prepare its financial statements under Full PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise stated, adoption of these amendments did not have an impact on the financial statements of the Company.

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Current versus Non-current Classification
The Company presents assets and liabilities in statement of financial position based on current or non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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.

Fair Value Hierarchy

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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.

Impairment of Financial Assets
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.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and impairment loss, if any.

The initial cost of property and 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.

The estimated useful life (EUL) of the components of property and equipment are as follows:

	EUL
Office equipment	3 to 5 years
Transportation equipment	3 to 5 years
Leasehold improvement	5 years or lease term whichever if shorter

The EUL 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 property and 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 property and 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 property and 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.

Deposit for Future Stock Subscription
Deposit for future stock subscription (DFS) pertains to total consideration received in excess of the authorized capital of the Company with the purpose of applying the same as payment for future issuance of shares.

Under Security Exchange Commission (SEC) Financial Reporting Bulletin No. 006, the Company shall classify a contract to deliver its own equity instruments under equity as a separate account from capital stock if and only if, all the following elements are present as of the reporting period:

- The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors’ approval on the proposed increase in authorized capital stock (for which a deposit was received by the Corporation);
- There is stockholders’ approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

DFS meets all the foregoing provisions and is treated as equity.

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 PFRSs.

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 being an intermediate party between the Insurance Companies (customer) and the policyholders (client).

PFRS 15, *Revenue from contracts with customers,* requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model.

Brokerage fees
The Company's main source of revenue includes commissions received from insurance companies which are recognized at a point in time. The Company determined that the services provided under brokerage arrangement are transferred to the policyholders which are recognized at a point in time when the performance obligation is satisfied and control is transferred, that is, on the inception date of the underlying insurance placement.

Service fees
Service fees represent the income earned from its clients for rendering services in relation to agreed scope of service such as risk placement, risk management and advisory. The Company's service fees received from its clients are recognized at a point in time when the performance obligation is satisfied, that is, upon completion of the agreed scope of services.

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, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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 PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements. 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. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only the period or in the period of revision and future period if the revision reflects both current and future periods.

<u>Judgment</u>

a. *Revenue from contracts with customers*
   The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers.

   - *Identifying performance obligations in brokerage agreements and service fees*
     The brokerage services offered by the Company consist of promise to place or sell an insurance policy. Accordingly, the commission income is recognized at the point in time when the Company has satisfied its performance obligation which is upon inception of the policy contract. In the case of service fees, revenue is recognized upon the fulfillment of the agreed scope of services, which includes risk placement, risk management and advisory.

- *Principal versus agent considerations*
  The Company enters into contracts with insurance companies to arrange for the provision of the specified service (i.e., place or sell insurance policies). The Company determined that it does not control the specified goods or service (i.e., insurance policies) provided by the insurance companies before these are transferred to the policyholder. The following factors indicate that the Company does not control the goods before they are being transferred to customers. Therefore, the Company determined that it is acting as an agent in these contracts.
  - The Company is not primarily responsible for fulfilling the promise to provide the insurance coverage to policyholders.
  - The Company has no discretion in establishing the price for the insurance policies. The Company's consideration in the contracts with insurance companies is only the commission amount based on the specified percentage of premiums collected from the policyholders.

  In addition, the Company concluded that it transfers control over its services at a point in time, upon inception of the policy, because this is when the insurance companies benefit from the Company's brokerage service.

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, 2024 and 2023 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, 2024 amounted to ₱2.5 million while the retirement asset as of December 31, 2023 amounted to ₱0.59 million. 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 applicable for the 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, 2024 and 2023 amounted to ₱13.28 million and ₱21.04 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.

<u>Risk Management Structure</u>
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.

<u>Risk Management Policies</u>
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, 2024 and 2023, gross of allowance for impairment losses:

	2024				
	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)	**₱117,459,802**	**₱–**	**₱–**	**₱–**	**₱117,459,802**
Commission receivables	**293,437,844**	**–**	**–**	**–**	**293,437,844**
Due from related party (Note 17)	**147,728**	**–**	**–**	**–**	**147,728**
Total amortized cost	**₱411,045,374**	**₱–**	**₱–**	**₱–**	**₱411,045,374**

	2023				
	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)	₱184,009,688	₱–	₱–	₱–	₱184,009,688
Commission receivables	181,051,634	–	–	–	181,051,634
Due from related party (Note 17)	147,728	–	–	–	147,728
Total amortized cost	₱365,209,050	₱–	₱–	₱–	₱365,209,050

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.

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, 2024 and 2023 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.

	2024				
	On Demand	**1 to 3 Months**	**3 to 12 months**	**1 to 5 years**	**Total**
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	**₱44,459,678**	**₱73,317,248**	**₱–**	**₱–**	**₱117,776,926**
Commission receivables	**–**	**150,002,062**	**139,335,782**	**–**	**289,337,844**
Due from related party	**147,728**	**–**	**–**	**–**	**147,728**
	₱44,607,406	**₱223,319,310**	**₱139,335,782**	**₱–**	**₱407,262,498**
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable	**₱–**	**₱4,006,995**	**₱–**	**₱–**	**₱4,006,995**
Accrued expenses	**–**	**44,013,309**	**–**	**–**	**44,013,309**
Due to related parties	**–**	**11,135,134**	**–**	**–**	**11,135,134**
Lease liability*	**–**	**2,134,636**	**6,620,395**	**5,233,942**	**13,988,973**
Others	**–**	**350,827**	**–**	**–**	**350,827**
	–	**61,640,901**	**6,620,395**	**5,233,942**	**73,495,238**
Net undiscounted financial assets	**₱44,607,406**	**₱161,678,409**	**₱132,715,387**	**(₱5,233,942)**	**₱333,767,260**

** Includes future interest*

	2023				
	On Demand	1 to 3 Months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	₱70,182,547	₱114,269,802	₱–	₱–	₱184,452,349
Commission receivables	–	101,800,148	75,151,486	–	176,951,634
Due from related party	147,728	–	–	–	147,728
	₱70,330,275	₱216,069,950	₱75,151,486	₱–	₱361,551,711
(Forward)					
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable	₱–	₱3,938,279	₱–	₱–	₱3,938,279
Accrued expenses	–	26,780,674	–	–	26,780,674
Due to related parties	–	8,721,244	–	–	8,721,244
Lease liability*	–	2,032,983	6,305,114	13,988,973	22,327,070
Others	–	300,189	–	–	300,189
	–	41,773,369	6,305,114	13,988,973	62,067,456
Net undiscounted financial assets	₱70,330,275	₱174,296,581	₱68,846,372	(₱13,988,973)	₱299,484,255

** Includes future interest*

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, 2024 and 2023, 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 carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	2024		2023	
	PHP	**USD**	PHP	USD
Cash and cash equivalents	**₱15,071,441**	**$260,549**	₱2,587,163	$46,725
Commission receivables	**60,553,687**	**1,046,826**	61,653,443	1,113,481
	₱75,625,128	**$1,307,375**	₱64,240,606	$1,160,206

The closing exchange rates to the Peso used were ₱57.845 to US$1.00 and ₱55.37 to US$1.00 as of December 31, 2024 and 2023, 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
2024	**₱1.00**	**₱1,307,375**
	(1.00)	**(1,307,375)**
2023	₱1.00	₱1,160,206
	(1.00)	(1,160,206)

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 carrying amounts of cash and cash equivalents, short-term investments, commission receivables, due from related party, 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.

Lease liability
Fair value is estimated using the discounted cash flow methodology, using the Company's current incremental borrowing rates for similar types of instruments at current market rates. The discount rates used in estimating the fair values of lease liabilities ranges from 3.30% to 6.37%. Significant increases (decreases) in these rates would result in a significantly lower (higher) fair value measurement.

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

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

The following tables provide the fair value hierarchy of the company's liabilities measured at fair value and those for which fair values are required to be disclosed:

	2024				
		Fair value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets for which fair values are disclosed					
Lease liability	**₱13,280,969**	**₱13,265,320**	**₱–**	**₱–**	**₱13,265,320**
	₱13,280,969	**₱13,265,320**	**₱–**	**₱–**	**₱13,265,320**

	2023				
		Fair value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which fair values are disclosed					
Lease liability	₱21,035,563	₱20,564,559	₱–	₱–	₱20,564,559
	₱21,035,563	₱20,564,559	₱–	₱–	₱20,564,559

There are no transfers between fair value hierarchy levels in 2024 and 2023.

6. Cash and cash equivalents

This account consists of:

	2024	2023
Cash in banks	**₱44,459,678**	₱70,182,547
Cash equivalents	**73,000,124**	113,827,141
	₱117,459,802	₱184,009,688

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 ranging from nil to 0.06% in 2024 and from nil to 0.12% in 2023. Cash equivalents are time deposit placements with original maturities of less than (3) months earning interest of 3.80% in 2024 and 4.25% to 5.25% in 2023 for US$-denominated time deposits and 5.75% to 6.13% in 2024 and 5.00% in 2023 for peso-denominated time deposits. For the years ended December 31, 2024 and 2023, interest earned from cash and cash equivalents amounted to ₱3,537,171 and ₱2,257,029 respectively. Unrealized foreign exchange loss on cash and cash equivalents amounted to ₱0.69 million and ₱0.11 million in 2024 and 2023, respectively.

7. Commission Receivables

The Company's commission receivables represent commissions earned but not yet collected by the Company from insurance companies.

	2024	2023
Gross Carrying Amount	**₱293,437,844**	₱181,051,634
Less allowance for credit losses	**(4,100,000)**	(4,100,000)
Balance at the end of the year	**₱289,337,844**	₱176,951,634

In 2024 and 2023, provision for credit losses on commission receivables amounted to nil and ₱4.1 million, respectively (see Note 14).

Realized foreign exchange loss from its foreign currency-denominated receivable amounted to ₱3.3 million and ₱0.28 million in 2024 and 2023, respectively.

8. Software Costs

The rollforward analysis of this account follows:

	2024	2023
Cost		
Balance at beginning of year	**₱20,747,429**	₱15,948,421
Additions	**4,854,026**	4,799,008
Balance at the end of the year	**25,601,455**	20,747,429
Accumulated Depreciation		
Balance at the beginning of the period	**15,948,421**	15,056,551
Amortization (Note 14)	–	891,870
Balance at the end of the period	**15,948,421**	15,948,421
Net Book Value	**₱9,653,034**	₱4,799,008

Software costs pertain to the acquired computer software of the Company. The Company acquired the new corporate broking solutions in starting 2023 that is currently being developed. The Company anticipates that this project will be completed and ready for its intended use by 2025.

9. Property and Equipment

Movements in this account follow:

	2024			
	Office Equipment	**Transportation Equipment**	**Leasehold improvements**	**Total**
Cost				
Balances at beginning	**₱6,934,294**	**₱1,132,142**	**₱15,579,514**	**₱23,645,950**
Additions	**4,068,252**	**1,203,571**	**119,643**	**5,391,466**
Disposal	**(1,273,667)**	–	–	**(1,273,667)**
Balances at end of year	**9,728,879**	**2,335,713**	**15,699,157**	**27,763,749**

(Forward)

	2024			
	Office Equipment	**Transportation Equipment**	**Leasehold improvements**	**Total**
Accumulated Depreciation				
Balances at beginning of year	**₱4,090,697**	**₱603,807**	**₱4,768,757**	**₱9,463,261**
Depreciation (Note 14)	**3,309,361**	**298,643**	**3,136,524**	**6,744,528**
Disposal	**(1,266,888)**	–	–	**(1,266,888)**
Balances at end of year	**6,133,170**	**902,450**	**7,905,281**	**14,940,901**
Net Book Values	**₱3,595,709**	**₱1,433,263**	**₱7,793,876**	**₱12,822,848**

	2023			
	Office Equipment	Transportation Equipment	Leasehold improvements	Total
Cost				
Balances at beginning	₱5,091,747	₱1,748,214	₱14,063,782	₱20,903,743
Additions	1,842,547	–	1,515,732	3,358,279
Disposal	–	(616,072)	–	(616,072)
Balances at end of year	6,934,294	1,132,142	15,579,514	23,645,950
Accumulated Depreciation				
Balances at beginning of year	1,830,705	993,450	1,857,909	4,682,064
Depreciation (Note 14)	2,259,992	226,429	2,910,848	5,397,269
Disposal	–	(616,072)	–	(616,072)
Balances at end of year	4,090,697	603,807	4,768,757	9,463,261
Net Book Values	₱2,843,597	₱528,335	₱10,810,757	₱14,182,689

Cost of fully depreciated office and transportation equipment still in use in the Company's operations amounted to ₱0.66 million and ₱0.72 million as of December 31, 2024 and 2023, respectively.

10. Other Assets

This account consists of:

	2024	2023
Current		
Prepaid expenses	**₱4,487,025**	₱3,483,224
Creditable withholding tax	**4,798,612**	3,672,051
	₱9,285,637	₱7,155,275
Noncurrent		
Security deposit	**₱2,627,248**	₱2,510,041
	₱2,627,248	₱2,510,041

11. Accounts Payable and Accrued Expenses

This account consists of:

	2024	2023
Output VAT payable	**₱26,518,137**	₱14,536,988
Deferred output VAT	**18,615,839**	27,253,252
Accrued expenses (Note 17)	**15,397,470**	11,780,674
Provisions (Notes 14 and 18)	**10,000,000**	15,000,000
Accounts payable	**4,006,995**	3,938,279
Withholding taxes payable	**1,691,052**	922,135
Premium payable	**48,214**	46,574
Others	**402,821**	353,824
	₱76,680,528	₱73,831,726

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 Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all its regular employees. The Company is participating in the JG Summit Multi-Employer Retirement Plan, with BPI Asset Management and Trust Corporation (BPI AMTC) as Trustee, following the merger of Robinsons Bank Corporation (previous Trustee) and Bank of the Philippine Islands effective January 1, 2024 (see Note 17). 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 account of business necessity or adverse economic conditions.

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, 2024.

The principal assumptions used in determining the retirement liability of the Company as of January 1, 2024 and 2023 are shown below:

	2024	2023
Discount rate	**6.11%**	7.30%
Salary increase rate	**8.00%**	8.00%

The principal assumptions used in determining the retirement liability of the Company as of December 31, 2024 and 2023 are shown below:

	2024	2023
Discount rate	**6.11%**	6.11%
Salary increase rate	**8.00%**	8.00%

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 net retirement liabilities (assets), present value of defined benefit obligation and fair value of plan assets follow:

		Net benefit cost in the statement of revenue over expenses			**Remeasurements in other comprehensive income**							
	January 1, 2024	**Current service cost**	**Net interest**	**Subtotal**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in experience adjustments**	**Effect of asset ceiling**	**Subtotal**	**Employer contribution**	**Benefits paid**	**December 31, 2024**
Present value of defined benefit obligation	**₱5,914,612**	**₱2,751,779**	**₱361,383**	**₱3,113,162**	**₱–**	**₱1,666,369**	**(₱282,893)**	**₱–**	**₱1,383,476**	**₱–**	**₱–**	**₱10,411,250**
Fair value of plan assets	**(5,325,581)**	**–**	**(386,493)**	**(386,493)**	**(193,972)**	**–**	**–**	**–**	**(193,972)**	**(2,000,000)**	**–**	**(7,906,046)**
	₱589,031	**₱2,751,779**	**(₱25,110)**	**₱2,726,669**	**(₱193,972)**	**₱1,666,369**	**(₱282,893)**	**₱–**	**₱1,189,504**	**(₱2,000,000)**	**₱–**	**₱2,505,204**

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

		Net benefit cost in the statement of revenue over expenses			Remeasurements in other comprehensive income							
	January 1, 2023	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 financial assumptions	Effect of asset ceiling	Subtotal	Employer contribution	Benefits paid	December 31, 2023
Present value of defined benefit obligation	₱3,029,955	₱1,954,015	₱221,187	₱2,175,202	₱–	₱715,532	(₱6,077)	₱–	₱709,455	₱–	₱–	₱5,914,612
Fair value of plan assets	(3,597,647)	–	(317,378)	(317,378)	133,909	–	–	(44,465)	89,444	(1,500,000)	–	(5,325,581)
	(₱567,692)	₱1,954,015	(₱96,191)	₱1,857,824	₱133,909	₱715,532	(₱6,077)	(₱44,465)	₱798,899	(₱1,500,000)	₱–	₱589,031

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

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

	2024	2023
Assets		
Cash and cash equivalents	**₱6,025,988**	₱3,822,702
Investments in debt securities	**1,879,267**	1,461,339
Other assets	**791**	41,540
	₱7,906,046	₱5,325,581

Movements in 'Remeasurement gains (losses) on retirement plan' in OCI follow:

	2024	2023
Balance at beginning of year	**₱824,586**	₱1,423,760
Remeasurement gain (loss) on retirement liability		
Due to changes in financial assumptions	**(1,666,369)**	(715,532)
Due to change in experience adjustments	**282,893**	6,077
Actual return on plan assets	**193,972**	(133,909)
Gain (loss) on asset ceiling	**–**	44,465
Remeasurement gain (loss) during the year	**(1,189,504)**	(798,899)
Tax effect	**297,376**	199,725
Remeasurement gain (loss) during the year, net of tax	**(892,128)**	(599,174)
Balance at end of year, net of tax	**(₱67,542)**	₱824,586

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	2024	2023
Discount rate	+1.00%	**(₱1,071,630)**	(₱609,662)
	-1.00	**1,243,622**	710,950
Salary increase rate	+1.00%	**1,208,158**	690,604
	-1.00	**(1,063,346)**	(604,967)

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

	2024	2023
Less than one year	**₱139,607**	₱101,186
More than one year to five years	**5,319,414**	3,769,690
More than five years to 10 years	**10,353,016**	12,105,529

The average duration of the defined benefit obligation as of December 31, 2024 and 2023 is 11.10 years and 11.20 years, respectively.

13. **Costs of Services**

This account consists of:

	2024	2023
Salaries and wages	**₱57,850,300**	₱53,751,097
Other employee benefits	**15,150,222**	8,856,599
Retirement expense (Note 12)	**2,726,669**	1,857,824
	₱75,727,191	₱64,465,520

14. **Operating Expenses**

This account consists of:

	2024	2023
Contracted services (Note 17)	**₱36,718,514**	₱32,051,217
Management and directors' fees (Note 17)	**29,000,000**	34,000,000
Depreciation and amortization (Notes 8, 9 and 17)	**14,116,925**	13,910,439
Travel and transportation	**11,685,113**	8,216,665
Trainings and seminars	**4,670,744**	2,227,678
Provisions and other tax expense (Notes 11 and 18)	**2,904,585**	11,500,000
Insurance	**1,642,012**	1,649,558
Association dues (Note 17)	**1,588,855**	1,582,958
Professional and legal fees	**1,548,416**	3,561,593
Taxes and licenses	**1,502,074**	1,310,322
Communications	**1,335,612**	899,867
Interest expense (Note 17)	**1,266,864**	791,545
Entertainment, amusement and recreation	**991,332**	1,102,693
Utilities (Note 17)	**720,909**	964,714
Stationery and office supplies	**641,700**	339,740
Provision for credit losses (Note 7)	**–**	4,100,000
Miscellaneous	**2,462,788**	1,819,523
	₱112,796,443	₱120,028,512

Other operating expenses include subscription and dues, information and technology expense, meetings and conferences, rent expense and other miscellaneous expenses.

Depreciation and amortization consist of:

	2024	2023
Right-of-use assets (Note 17)	**₱7,372,397**	₱7,621,300
Property and equipment (Note 9)	**6,744,528**	5,397,269
Software costs (Note 8)	**–**	891,870
	₱14,116,925	₱13,910,439

15. **Income Taxes**

Provision for income tax consists of:

	2024	2024
Current		
RCIT	**₱58,647,367**	₱52,757,776
Final	**686,899**	451,406
Deferred	**1,231,495**	(1,656,956)
	₱60,565,761	₱51,552,226

Income taxes include the current income tax, which is either the regular corporate income tax (RCIT) minimum corporate income tax (MCIT), and 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.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

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.

Net deferred tax asset consists of the following:

	2024	2023
Deferred tax assets on:		
Retirement liability	**₱626,301**	₱147,258
Unamortized past service cost	**301,075**	398,524
Unrealized forex exchange loss	**171,794**	–
Allowance for credit losses	–	1,025,000
Lease liability - net	–	508,928
	1,099,170	2,079,710
Deferred tax liability on:		
Unrealized foreign exchange gain	–	46,421
	₱1,099,170	₱2,033,289

Movements in deferred tax assets - net comprise of:

	2024	2023
At beginning of the year	**₱2,033,289**	**₱176,608**
Amounts credited to statements of income	**(1,231,495)**	**1,656,956**
Amounts charged against statements of comprehensive income (Note 12)	**297,376**	**199,725**
At end of the year	**₱1,099,170**	**₱2,033,289**

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

	2024	2023
Statutory income tax rate	**₱69,485,670**	₱58,395,419
Tax effect of:		
Additional deductible expenses under OSD	**(39,098,245)**	(27,794,268)
Nondeductible expenses	**30,375,730**	21,176,778
Interest income subjected to final tax	**(197,394)**	(225,703)
Effective income tax rate	**₱60,565,761**	₱51,552,226

16. **Equity**

Capital stock
As of December 31, 2024 and 2023, the Company's capital stock consists of:

	2024		2023	
	Shares	**Shares**	Shares	Amount
Common stock - ₱100.00 par value				
Authorized as of beginning of year	**500,000**	**₱50,000,000**	500,000	₱50,000,000
Increase in authorized capital	**200,000**	**20,000,000**	–	–
	700,000	**₱70,000,000**	500,000	₱50,000,000
Issued and outstanding as of beginning of the year	**500,000**	**₱50,000,000**	214,170	₱21,417,000
Issued and outstanding during the year	**190,550**	**19,055,000**	285,830	28,583,000
Issued and outstanding as of end of year	**690,550**	**₱69,055,000**	500,000	₱50,000,000

On March 7, 2023, the Board of Directors approved the additional subscription of JGSHI to 285,830 common shares which resulted to JGSHI owning eighty seven percent (87%) of the Company's capital stock.

On November 21, 2023, the Board of Directors approved the increase in the authorized capital stock from 500,000 shares to 700,000 shares. Robinsons Bank paid Php19,055,000 in 2023 as deposit for future subscription. On February 26, 2024, the SEC approved the Company's application for increase in authorized capital stock. Unicon then issued the corresponding shares.

Retained earnings
On March 7, 2023, the Board of Directors also approved the appropriation of ₱21,825,340 from its unappropriated retained earnings for its corporate broking solutions and office expansion projects. These projects are expected to be completed by 2025.

Cash dividends
The following cash dividends were declared and paid in 2024 and 2023:

Year	**Approval Date**	**Date of Record**	**Payment Date**	**Dividend Per Share**	**Amount**
2024	**March 14,2024**	**December 31, 2023**	**April 2024**	**₱250.00**	**₱172,637,500**

Year	Approval Date	Date of Record	Payment Date	Dividend Per Share	Amount
2023	March 7, 2023	December 31, 2022	March and April 2023	₱553.69	₱118,583,000

Deposit for future subscriptions
On November 21, 2023, the BOD approved the amendment to the Company's Articles of Incorporation (AOI) to increase the authorized capital stock from 500,000 shares to 700,000 shares. During the same meeting, the BOD approved the subscription of Robinsons Bank Corporation (RBC) to 190,500 shares with a par value of One Hundred Pesos (₱100.00) per share which would result to RBC owning forty percent (40%) of the Company's capital stock. RBC paid a deposit of ₱19,055,000 in December 2023. The Company filed with SEC the application for amendment to the AOI on December 6, 2023. On February 26, 2024, the Company received the SEC approval on the amendment to AOI. The Company then issued 190,550 shares to RBC.

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 October 2018, the Insurance Commission issued Insurance Memorandum Circular No. 1-2006 increasing the capitalization requirement for existing insurance and reinsurance brokers on a staggered basis as follows:

Compliance Date	Required Net Worth
On or before December 31, 2006	₱5,000,000
On or before December 31, 2007	10,000,000
On or before December 31, 2008	15,000,000
On or before December 31, 2009	20,000,000
On or before December 31, 2010	25,000,000

As of December 31, 2024 and 2023, the Company's net worth amounted to ₱350.46 million and ₱306.61 million, respectively. 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.

		2024			
Related Parties	**Transactions**	**Amount/ Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Nature, Terms and Conditions**
Parent Company					
	Due from Parent Company	**₱–**	**₱147,728**	**₱–**	See paragraph below
	Right-of-use asset	**(7,732,398)**	**11,627,456**	–	See paragraph below
	Due to Parent Company	**2,413,890**	**11,135,134**	–	See paragraph below
	Lease liability	**(7,754,594)**	**13,280,969**	–	See paragraph below
	Management fees	**29,000,000**	–	**29,000,000**	See paragraph below
	Contracted services	**35,094,271**	–	**35,094,271**	See paragraph below
	Information and technology	**422,335**	–	**422,335**	Refers to computer-related expenses; noninterest-bearing
	Association dues	**1,588,855**	–	**1,588,855**	Refers to administrative expenses; noninterest-bearing
	Depreciation	**7,372,398**	–	**7,372,398**	See paragraph below
	Interest expense	**584,933**	–	**584,933**	See paragraph below
	Utilities	**720,909**	–	**720,909**	Refers to utility expenses from leased premises; noninterest-bearing
Other Related Parties					
	Cash and cash equivalents	**(66,548,241)**	**44,453,885**	–	Current and savings deposit accounts and time deposits
	Due to related parties	–	–	–	See paragraph below
	Accrued expenses	**(54,893)**	**(1,890,544)**	–	On-demand and noninterest-bearing
	Contracted services	–	–	–	See paragraph below

		2023			
Related Parties	Transactions	Amount/ Volume	Statement of Financial Position	Statement of Comprehensive Income	Nature, Terms and Conditions
Parent Company					
	Due from Parent Company	₱–	₱147,728	₱–	See paragraph below
	Right-of-use asset	(6,018,152)	18,999,853	–	See paragraph below
	Due to Parent Company	2,071,338	8,167,545	–	See paragraph below
	Lease liability	(5,466,016)	21,035,563	–	See paragraph below
	Management fees	34,000,000	–	34,000,000	See paragraph below
	Contracted services	29,785,644	–	29,785,644	See paragraph below
	Information and technology	1,167	–	1,167	Refers to computer-related expenses; noninterest-bearing
	Association dues	1,582,958	–	1,582,958	Refers to administrative expenses; noninterest-bearing
	Depreciation	7,621,300	–	7,621,300	See paragraph below
	Interest expense	791,545	–	791,545	See paragraph below
	Utilities	964,714	–	964,714	Refers to utility expenses from leased premises; noninterest-bearing

(Forward)

	2023			
Other Related Parties				
Cash and cash equivalents	₱77,640,327	₱184,001,911	₱–	Current and savings deposit accounts and time deposits
Due to related parties	(474,641)	(553,699)	–	See paragraph below
Accrued expenses	4,002,107	(1,945,436)	–	On-demand and noninterest-bearing
Contracted services	1,033,186	–	1,033,186	See paragraph below

Terms and conditions of transactions with related parties
Outstanding balances as of December 31, 2024 and 2023 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 2024 and 2023 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 2023, the Company entered into a lease contract with Robinsons Land Corporation, an affiliate, for the lease of its branch in Cebu which commenced on February 15, 2023 to April 14, 2028.

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:

	2024	2023
Cost		
Balance at January 1	**₱37,677,174**	₱36,074,026
Additions	**–**	1,603,148
Balance at December 31	**37,677,174**	37,677,174
Accumulated Depreciation		
Balance at January 1	**18,677,321**	11,056,021
Depreciation expense	**7,372,397**	7,621,300
Balance at December 31	**26,049,718**	18,677,321
Net book value	**₱11,627,456**	₱18,999,853

The rollforward of lease liability follows:

	2024	2023
Balance at January 1	**₱21,035,563**	₱26,501,579
Additions	**–**	1,603,148
Interest expense	**584,933**	791,545
Payments	**(8,339,527)**	(7,860,709)
Balance at December 31	**₱13,280,969**	₱21,035,563

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

	2024	2023
Depreciation expense on right-of-use asset	**₱7,372,397**	₱7,621,300
Interest expense on lease liability	**584,933**	791,545
	₱7,957,330	₱8,412,845

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

	2024	2023
Less than one year	**₱8,755,031**	₱8,338,097
More than one year but less than 5 years	**5,233,942**	13,988,973
	₱13,988,973	₱22,327,070

Transactions with retirement fund
Included in the Company's retirement plan assets as of December 31, 2024 and 2023 is a special savings deposit with BPI (previously RBC as discussed in Note 1) 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, 2024 and 2023.

The total fair values of the retirement plan assets as of December 31, 2024 and 2023 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. Provisions, Commitments and Contingencies

In the normal course of business, the Company makes various commitments and incurs contingent liabilities that are not presented in the financial statements. As of December 31, 2024 and 2023, the Company is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the financial statements.

Further, the Company has existing litigations and claims, the outcomes of which are currently uncertain. The Company believe that the ultimate resolution of those claims will not have a material effect on the financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets,* is not disclosed on the grounds that it can be expected to prejudice the outcome of the resolution of future claims.

19. Notes to Cash Flow Statements

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

	At January 1	Additions	Interest expense	Payments	At December 31
2024	**₱21,035,563**	**–**	**₱584,933**	**(₱8,339,527)**	**₱13,280,969**
2023	26,501,579	1,603,148	791,545	(7,860,709)	21,035,563

20. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were authorized for issuance by the BOD on April 25, 2025.

21. Events after the Reporting Date

Dividend declaration
During its meeting on March 5, 2025, the Board of Directors of the Company approved the declaration of cash dividend of ₱260 per share or an aggregate amount of ₱179,543,000 to its stockholders of record as of December 31, 2024. Around ₱80 million will be paid in April and the balance on or before August 2025.

22. 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 2024 are, as follows:

	Net Sales/ Receipts	Output VAT
Taxable services:		
Commissions	₱523,772,231	₱62,852,668

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, 2024		₱–
Current year's domestic purchases/payments for:		
Domestic purchase of services	₱11,089,824	
Domestic purchase of goods	570,707	
Capital goods subject to amortization	63,500	
Total VAT payments for the year		11,724,031
Less: Output VAT during the year		(11,724,031)
Balance as of December 31, 2024		₱–

c. Other Taxes and Licenses

Details consist of the following:

License and permits fees	₱944,695
Penalties	171,000
Documentary stamp tax	375,879
Community tax certificate fee	10,500
	₱1,502,074

d. Withholding Taxes

Details of total remittance in 2024 and balance as of December 31, 2024, are as follows:

	Total Remittances	Outstanding Balances
Withholding taxes on compensation and benefits	₱8,605,943	₱657,709
Expanded withholding taxes	5,952,311	1,033,343
	₱14,558,254	₱1,691,052

e. Tax Assessments and Cases

On October 3, 2023, the Company received the Final Decision on Disputed Assessment issued by the Bureau of Internal Revenue (BIR) for taxable year 2018. The Company then filed the Petition to Review with the Court of Tax Appeals on November 3, 2023. The Company is still waiting for the court to set the hearing dates.

The Company received final assessments for taxable years 2019 and 2021 and had settled these in 2024.

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION
INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex A: Supplementary Schedules Required by Insurance Commission Circular Letter No. 2021-65

- Segregation of Client's Money Account
- Net Worth Compliance
- Fiduciary Ratio Computation
- Offsetting Arrangements

UNICON INSURANCE AND REINSURANCE BROKERS CORPORATION

SUPPLEMENTARY SCHEDULES REQUIRED BY INSURANCE COMMISSION CIRCULAR LETTER NO. 2021-65

In compliance with the requirements set forth by Insurance Commission (IC) Circular Letter (CL) No. 2021-65, hereunder are the information on clients' money, net worth, fiduciary ratio, and offsetting arrangement of the Company for the year 2024. These information are presented for purposes of filing with the IC and not a required part of the basic financial statements.

1. **Clients' Money Account**

	2024
Clients' Money in bank - Premiums	**₱48,214**

Representing premiums collected that are not yet remitted to Insurance Companies and presented as part of the total cash and cash equivalents of the Company's Statement of Financial Position.

These funds are maintained with the top local commercial banks and earn interest at the prevailing deposit rates ranging from 0.00% to 0.12%.

2. **Net Worth Compliance**

In October 2018, the IC issued CL No. 2018-52, stating the capitalization and net worth requirements for new and insurance and reinsurance brokers as follows:

	Required Capital and Net Worth
New Entrant	
Insurance or Reinsurance Broker	₱20,000,000
Insurance and Reinsurance Broker	50,000,000
Existing	
Insurance or Reinsurance Broker	10,000,000
Insurance and Reinsurance Broker	25,000,000

The Company has complied with the requirement with a net worth of ₱350.35 million as of December 31, 2024.

3. **Fiduciary Ratio Computation**

The Company's clients settle their premium direct to insurance companies except for some individual clients who pay their premium to the Company.

Below is the computation of the Company's fiduciary ratio as of December 31, 2024:

	2024
Fiduciary Assets	
Clients' Money in bank	₱48,214
Fiduciary Liabilities	
Payable to Insurance Companies	48,214
Fiduciary Ratio	1:1

Based on the computation, the Company is compliant with the 1:1 fiduciary ratio requirement per IC CL No. 2021-65.

4. **Offsetting Arrangements**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company assesses that is has a currently enforceable right to 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 insolvency or bankruptcy of the Company and all of the counterparties.