



# SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City  
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



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## Company Information

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**SEC Registration No.:** CS201802840

**Company Name:** CASHKO INSURANCE BROKERAGE CORP

**Industry Classification:** K66220

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST10507202482349584

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2023

**Submission Type:** Annual

**Remarks:** None

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Acceptance of this document is subject to review of forms and contents

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **CashKo Insurance Brokerage Corp.** is responsible for the preparation and fair presentation of the financial statements, for the years ended December 31, 2023 and 2022, in accordance with the Philippine Financial Reporting 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.

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

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Diaz Murillo Dalupan and Company, the independent auditor appointed by the members for the periods 2023 and 2022, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the members, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
**DANIEL R. ARCENAS**  
President

  
**JUSTIN DANIEL T. ARCENAS**  
Treasurer

April 26, 2024

**CASHKO INSURANCE BROKERAGE CORPORATION**

**LIST OF ATTACHMENTS TO ANNUAL INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Statements and Schedules**

Balance sheet and income statement accompanied by auditors' report	<u>    X    </u>
Schedule of cost of goods manufactured and sold	<u>    NA    </u>
Schedule of taxes and licenses	<u>    NA    </u>
Schedule of manufacturer's sales taxes and advance sales taxes paid	<u>    NA    </u>
Schedule of income-producing properties and income therefrom	<u>    NA    </u>
Schedule of dividends (cash or its equivalent or stock) paid, duly verified by an officer under oath	<u>    NA    </u>
Others (enumerate) Income tax computation	<u>    X    </u>

**BIR Forms**

BIR Form 1701-B1, Alphabetical List of BIR Form 1701-B Submitted	<u>    NA    </u>
BIR Form 1702-E, Incentives availed of under R.A. 5186	<u>    NA    </u>
Form 1702 E-1, Incentives availed of under R.A. 6135	<u>    NA    </u>
BIR Form 1702-B -- Details of income and expenses (if an insurance company other than a mutual life insurance company)	<u>    NA    </u>
BIR Form 1702G (if an offshore banking unit or a foreign currency deposit unit)	<u>    NA    </u>
BIR Form 1745 C -- Summary statement of interests paid on time and savings deposit subject to withholding tax (if a bank)	<u>    NA    </u>
Others (enumerate) _____ _____ _____	 <u>    </u> <u>    </u> <u>    </u>

X -- attached

**Statement Required by Section 8-A, Revenue Regulations No. V-1**

To the Board of Directors and Stockholders of  
**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
3<sup>rd</sup> Floor Arcenas Building, Osmeña Boulevard  
Kamagayan, Cebu City, Philippines

None of the partners in this firm have any financial interest in the Company or any family relationships with its president, managers or principal stockholders.

The supplementary information on taxes and licenses is presented in Note 16 to the financial statement.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and  
valid in the audit of 2021 to 2025 financial statements of SEC covered institutions

IC Accreditation No. 0234-IC, Group A, issued on March 4, 2021 and  
valid in the audit of 2020 to 2024 financial statements of IC covered institutions

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:



Lloyd T. Tan  
Partner

CPA Certificate No. 117307

IC Accreditation No. 117307-IC, Group A, issued on October 28, 2021 and  
valid in the audit of 2021 to 2025 financial statements of IC covered institutions

Tax Identification No. 246-442-524

PTR No. 2496295, January 2, 2024, Cebu City

BIR Accreditation No. 13-531012-002-2021, effective until October 27, 2024

April 26, 2024

**Global Reach, Global Quality**

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 8894 5892 / 8844 9421 / Fax: +63(2) 8818 1872

Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8028

Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636

Delmas Office : 2F MDC Building, Plaza Real, San Jose del Monte, Bulacan 3008 Philippines • Phone: +63(45) 222 2222

## **Independent Auditors' Report**

To the Board of Directors and Stockholders of  
**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
3<sup>rd</sup> Floor Arcenas Building, Osmeña Boulevard  
Kamagayan, Cebu City, Philippines

### **Report on the Audits of the Financial Statements**

#### *Opinion*

We have audited the financial statements of **CashKo Insurance Brokerage Corp.** (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statement*

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

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

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

#### **Global Reach, Global Quality**

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### *Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 statement.

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statements represents 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 audits.

## **Report on Supplementary Information required by the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 16 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **CashKo Insurance Brokerage Corp.** 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.

### **DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

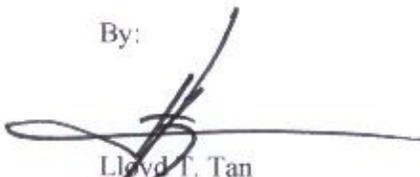
BOA/PRC No. 0234, effective until June 23, 2026

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valid in the audit of 2021 to 2025 financial statements of SEC covered institutions

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valid in the audit of 2020 to 2024 financial statements of IC covered institutions

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:



Lloyd T. Tan  
Partner  
CPA Certificate No. 117307

IC Accreditation No. 117307-IC, Group A, issued on October 28, 2021 and  
valid in the audit of 2021 to 2025 financial statements of IC covered institutions

Tax Identification No. 246-442-524

PTR No. 2496295, January 2, 2024, Cebu City

BIR Accreditation No. 13-531012-002-2021, effective until October 27, 2024

April 26, 2024

Statement Required by Rule 68, Part I, Section 4,  
Securities Regulation Code (SRC),  
As Amended on August 19, 2019

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To the Board of Directors and Stockholders of  
**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
3<sup>rd</sup> Floor Arcenas Building, Osmeña Boulevard  
Kamagayan, Cebu City, Philippines

We have audited the accompanying financial statements of **CashKo Insurance Brokerage Corp.** as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 26, 2024. The supplementary information shown in the Appendix A (Reconciliation of retained earnings available for dividend declaration), as an additional component required by Rule 68, Part I, Section 5 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

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By:



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Davao Office : 4F MDC Building, Plaza Real, Davao City, Davao Region, Philippines 8000 Philippines • Phone: +63(82) 222 6636

Statement Required by Rule 68, Part 1, Section 3.F,  
Securities Regulation Code (SRC),  
As Amended on August 19, 2019

---

To the Board of Directors and Stockholders of  
**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
3<sup>rd</sup> Floor Arcenas Building, Osmeña Boulevard  
Kamagayan, Cebu City, Philippines

We have audited the accompanying financial statements of **CashKo Insurance Brokerage Corp.** As at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 26, 2024. In connection with our audit, we obtained a certification from the Company's corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2023. In relation to the certification issued by the corporate secretary, we conducted certain tests necessary to validate the related Company's entries and balances.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of the work performed, as at December 31, 2023, the Company has only one (1) stockholder owning one hundred (100) or more shares.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

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valid in the audit of 2021 to 2025 financial statements of SEC covered institutions

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valid in the audit of 2020 to 2024 financial statements of IC covered institutions

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:



Lloyd T. Tan  
Partner

CPA Certificate No. 117307

IC Accreditation No. 117307-IC, Group A, issued on October 28, 2021 and  
valid in the audit of 2021 to 2025 financial statements of IC covered institutions

Tax Identification No. 246-442-524

PTR No. 2496295, January 2, 2024, Cebu City

BIR Accreditation No. 13-531012-002-2021, effective until October 27, 2024

April 26, 2024

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Dalupan Office : 4th Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636

**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
**Statements of Financial Position**

	<b>As at December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash - note 4	<b>₱14,706,686</b>	₱4,482,506
Trade and other receivables - note 5	<b>9,003,392</b>	824,694
Due from a related party - note 10	<b>17,725,132</b>	17,728,743
Prepaid income tax	<b>28,320,419</b>	20,462,838
Input VAT	<b>1,357,965</b>	2,017,993
Prepaid insurance	<b>13,493</b>	18,007
<b>TOTAL ASSETS</b>	<b>₱71,127,087</b>	<b>₱45,534,781</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liability</b>		
Trade and other payables - note 6	<b>₱13,505,489</b>	₱5,140,365
<b>Noncurrent liability</b>		
Advances from related parties (net) - note 10	<b>2,073,980</b>	1,889,779
	<b>15,579,469</b>	7,030,144
<b>Equity</b>		
Capital stock - note 7	<b>27,100,000</b>	27,100,000
Retained earnings	<b>28,447,618</b>	11,404,637
	<b>55,547,618</b>	38,504,637
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱71,127,087</b>	<b>₱45,534,781</b>

*(The accompanying notes are an integral part of these financial statements)*

**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
**Statements of Comprehensive Income**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>COMMISSION REVENUE</b>	<b>₱91,878,430</b>	₱129,029,845
<b>SERVICE FEES - note 8</b>	<b>(52,188,438)</b>	(96,483,913)
<b>GROSS INCOME</b>	<b>39,689,992</b>	32,545,932
<b>INTEREST INCOME - note 4</b>	<b>6,852</b>	12,038
<b>ADMINISTRATIVE EXPENSES - note 9</b>	<b>(16,733,447)</b>	(8,566,236)
<b>INCOME BEFORE TAX</b>	<b>22,963,397</b>	23,991,734
<b>INCOME TAX EXPENSE - note 11</b>		
Current	<b>(5,920,416)</b>	(4,729,658)
Deferred	-	(1,072,923)
	<b>(5,920,416)</b>	(5,802,581)
<b>NET INCOME FOR THE YEAR</b>	<b>₱17,042,981</b>	₱18,189,153

*(The accompanying notes are an integral part of these financial statements)*

**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
**Statements of Changes in Equity**  
**For the Years Ended December 31, 2023 and 2022**

	Capital stock (note 7)	Retained earnings (deficit)	Total
<b>BALANCE AT JANUARY 1, 2022</b>	<b>₱27,100,000</b>	<b>(₱6,784,516)</b>	<b>₱20,315,484</b>
<b>Total comprehensive income</b>			
Net income for the year	-	18,189,153	<b>18,189,153</b>
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>27,100,000</b>	<b>11,404,637</b>	<b>38,504,637</b>
<b>Total comprehensive income</b>			
Net income for the year	-	17,042,981	<b>17,042,981</b>
<b>BALANCE AT DECEMBER 31, 2023</b>	<b>₱27,100,000</b>	<b>₱28,447,618</b>	<b>₱55,547,618</b>

*(The accompanying notes are an integral part of these financial statements)*

**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
**Statements of Cash Flows**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	<b>₱22,963,397</b>	₱23,991,734
Changes in operating assets and liability:		
Decrease (increase) in assets:		
Trade and other receivables	<b>(8,178,698)</b>	(1,603,084)
Due from a related party	<b>3,611</b>	(609,903)
Input VAT	<b>660,028</b>	(886,106)
Prepaid insurance	<b>4,514</b>	79,299
Increase in trade and other payables	<b>8,365,124</b>	3,614,527
Cash generated from operations	<b>23,817,976</b>	24,586,467
Income taxes paid	<b>(13,777,997)</b>	(18,393,149)
Net cash provided by operating activities	<b>10,039,979</b>	6,193,318
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from related parties - note 10	<b>208,644</b>	327,360
Payments to related parties	<b>(24,443)</b>	(2,364,644)
Net cash provided by (used in) financing activities	<b>184,201</b>	(2,037,284)
<b>NET INCREASE IN CASH</b>	<b>10,224,180</b>	4,156,034
<b>CASH BALANCE AT BEGINNING OF YEAR</b>	<b>4,482,506</b>	326,472
<b>CASH BALANCE AT END OF YEAR</b>	<b>₱14,706,686</b>	₱4,482,506

*(The accompanying notes are an integral part of these financial statements)*

**Reconciliation of Retained Earnings available for Dividend Declaration**  
As at December 31, 2023

**CASHKO INSURANCE BROKERAGE CORP.**  
3rd Floor Arcenas Building, Osmeña Boulevard, Kamagayan, Cebu City, Philippines

<b>Items</b>	<b>Amount</b>
<b>Unappropriated Retained Earnings, beginning</b>	₱11,404,637
<b>Net Income Actual/Realized</b>	17,042,981
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	₱28,447,618

**CASHKO INSURANCE BROKERAGE CORP.**  
*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*  
**ANNEX A**

**Attachment to the Supplemental Opinion for Filing with the Insurance Commission**

**I. Clients' Money**

As at December 31, 2023, the Company's clients' money amounts to nil. The Company's finance department maintains a separate file to monitor the movement of clients' money account, if any.

**II. Net Worth Compliance**

The Company is required to comply with the minimum net worth requirement for an insurance broker amounting to ₱10,000,000 per Insurance Commission (IC) Circular Letter (CL) No. 2018-52.

As at December 31, 2023, the Company's net worth is compliant with the minimum net worth requirement set forth by the IC as follows:

Net worth per AFS	₱55,547,618
Net worth requirement per IC CL 2018-52	<u>10,000,000</u>
<b>Excess / Deficit</b>	<u><u>₱45,547,618</u></u>

**III. Fiduciary Ratio**

The Company is required to comply with the fiduciary ratio requirement per IC CL No. 2021-65. The fiduciary ratio is a measure to assess the Company's conduct of handling premiums from the policyholders, given that a broker is expected to be acting on a fiduciary capacity.

The fiduciary ratio is computed by dividing the total fiduciary assets (either cash or receivables being held by an insurance broker) over the total fiduciary liabilities. The fiduciary ratio to be maintained shall be 1:1. Amounts used are gross of the commissions, allowances for impairment, taxes, fees, and other charges. The fiduciary assets and liabilities used are in accordance with IC CL No. 2021-69 or the Revised Standard Chart of Accounts of Insurance and/or Reinsurance Brokers.

The Company uses a direct remittance agreement. This is a type of transaction wherein a client/insurer/cedant remits the premium payments directly to the insurance/reinsurance company, and where an insurance/reinsurance broker is not required to comply with the fiduciary ratio.

As at December 31, 2023, the Company's fiduciary ratio is computed as follows:

<b>Transaction type</b>	Direct remittance
Clients' money	-
Premium Receivable	-
Total fiduciary assets	<u>-</u>
Premium Payable	<u>9,425,207</u>
<b>Fiduciary ratio</b>	<u><u>-</u></u>

Since the Company uses direct remittance agreement, it is not required to comply with the fiduciary ratio of 1:1 based on the requirement of IC CL No. 2021-65.

#### **IV. 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**CASHKO INSURANCE BROKERAGE CORP.**

*(A Wholly-Owned Subsidiary of Ruralnet, Inc.)*

**Notes to Financial Statements**

**As at and for the years ended December 31, 2023 and 2022**

**1. CORPORATE INFORMATION**

CashKo Insurance Brokerage Corp. (the “Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on March 9, 2018 with SEC Registration No. CS201802840. Its primary purpose is to engage in the business of selling insurance policies, such as life, non-life, variable unit life and micro-insurance, to the public.

The Company is a wholly-owned subsidiary of Ruralnet, Inc. (the “Parent Company”), a corporation duly organized and incorporated in the Philippines. The Company and Parent Company are under the common control of Handumanan Development Corporation (the “Ultimate parent Company”), a corporation duly organized and incorporated in the Philippines.

On November 27, 2018, the Company was given the Insurance Broker’s License by the Insurance Commission (IC) under the Chapter IV, Title I and II of the Insurance Code with License No. IB-04-2018-O-A. The license was valid until December 31, 2020. On February 2, 2021, the Company obtained the renewal of its Insurance Broker’s License from the IC with License No. IB-01-2021-R effective from January 1, 2021 until December 31, 2023. On January 1, 2024, the Company obtained the renewal of its Insurance Broker’s License from the IC with License No. IB-02-2024-R effective from January 1, 2024 until December 31, 2026.

The registered principal address of the Company is located at 3<sup>rd</sup> Floor Arcenas Building, Osmeña Boulevard, Kamagayan, Cebu City, Philippines.

The accompanying financial statements as at and for the year ended December 31, 2023, including its comparatives as at and for the year ended December 31, 2022, were approved and authorized for issue by the Board of Directors (BOD) on April 26, 2024.

**2. MATERIAL ACCOUNTING POLICY INFORMATION**

The significant accounting policies that have been used in the preparation of these financial statements are summarized in this note. The policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Company opted to apply PFRSs since it is a wholly-owned subsidiary of a parent company reporting under PFRSs.

### **Basis of preparation**

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

The Company's financial statements are presented in Philippine Peso (₱), the Association's functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

### **Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs that are mandatorily effective for annual periods beginning on or after January 1, 2023.

- ***Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2).*** The narrow-scope amendments *PAS 1, Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments had no impact on the financial statements of the Company.

- ***Definition of Accounting Estimates (Amendments to PAS 8).*** The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments had no impact on the financial statements of the Company.

- ***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12)***. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

- (a) A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.
- (b) The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The annual improvements are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments had no impact on the financial statements of the Company.

### **New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2023**

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- ***Classification of Liabilities as Current or Non-current (Amendments to PAS 1)***. The amendments clarify paragraphs 69 to 76 of *PAS 1, Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  1. What is meant by a right to defer settlement;
  2. That a right to defer must exist at the end of the reporting period;
  3. That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  4. 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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

- ***PFRS 17, Insurance Contracts***. PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace *PFRS 4, Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- (a) A specific adaptation for contracts with direct participation features (the variable fee approach); and
- (b) A simplified approach (the premium allocation approach) mainly for short duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

An entity shall apply PFRS 17 retrospectively for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM is impracticable, an entity is required to choose one of the following two alternatives:

1. Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

2. Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with PFRS 13, *Fair value measurement* and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

To date, the Company is still assessing the impact of the new standard, including its impact on the following areas:

- a. PFRS 17 implementation project including information about structure and governance, work performed, management of risks and costs;
- b. Operational impacts including changes to systems and processes to comply with the requirements of the new standard;
- c. Identification of contracts that meet the definition of an insurance contract but PFRS 15 is applied based on the conditions set by paragraph 8 under the scope of PFRS 17;
- d. A description of the transition approach that will be used and whether any practical expedients will be applied;
- e. A description of the key judgments and estimates made;
- f. Quantitative information on the size of the CSM, if any;
- g. Quantitative information about the expected impact of PFRS 17 on profits and how it compares with PFRS 4; and
- h. Expected impact on net worth

Further, the IC is currently reviewing the impact of PFRS 17 across the entire industry in coordination with industry Companies to manage its implementation.

- ***Initial Application of PFRS 17 and PFRS 9 - Comparative Information (Amendments to PFRS 17)***. The amendment adds a transition option for a classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of PFRS 17. The amendments would be available for:
  - (a) Any financial assets, including those held in respect of an activity that is unconnected to contracts within the scope of PFRS 17; and
  - (b) Both entities that initially apply PFRS 9 at the same time as they apply PFRS 17, and entities that had already applied PFRS 9 before the initial application of PFRS 17 where those entities redesignate financial assets applying paragraph C29 of PFRS 17.

The transition option would:

- (a) be available, on an instrument-by-instrument basis;
- (b) allow an entity to present comparative information as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of PFRS 9; and
- (c) require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying PFRS 9.

The amendment does not amend the transition requirements in PFRS 9. At the date of initial application of PFRS 9, an entity is required to apply the transition requirements in PFRS 9 to a financial asset, regardless of whether it has applied the classification overlay to that asset.

The amendment is effective for reporting periods beginning on or after January 1, 2024 with earlier adoption permitted.

#### *Deferred effectivity*

- ***PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)***. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- ***Deferral of Certain Provision of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04).*** On February 14, 2018, the PIC issued PIC Q&A 2018-12 which guides on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018, and February 8, 2019, the SEC issued SEC Memorandum Circular (MC) No. 14-2018 and MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The SEC circulars also provided the mandatory disclosure requirements should an entity decided to avail of any relief, which include:

- (a) the accounting policies applied;
- (b) discussion of the deferral of the subject implementation issues in the PIC Q&A;
- (c) qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
- (d) should any of the deferral options result in a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the percentage-of-completion calculation under the previous standard but opted to include such components under the relief provided by the circular), such an accounting change will have to be accounted for under PAS 8 together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provided additional guidance on the real estate industry issues covered by the SEC deferrals:

- (a) PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component.
- (b) PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the percentage-of-completion.

The Company has not adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2023 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

#### **Determination of fair value and fair value hierarchy**

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 by 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.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- 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.

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

Fair value measurement disclosures of financial and non-financial assets are presented in note 15 to the financial statements.

#### **“Day 1” difference**

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income 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 instruments**

### *Initial recognition, measurement and classification*

The Company recognizes financial assets and financial liabilities in the statements of financial position when it 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 market place are recognized on the settlement date.

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVTPL) where the transaction costs are charged to expense in the period incurred. Receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL.

The classification of debt instruments at amortized cost or at FVOCI depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing the financial assets. The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVTPL.

*Financial assets at amortized cost*

Financial assets are measured at amortized cost when both of the following conditions are met:

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

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment.

Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, included under financial assets at amortized cost are the Company's *Cash, Trade and other receivables and Due from a related party* (see notes 4, 5 and 10).

- (a) Cash includes cash in banks.
- (b) Trade and other receivables represent the Company's right to an amount of consideration that is unconditional. Trade receivables represent receivables from customers for the sale of services. Other receivables include advances to officers and employees.
- (c) Due from a related party are collections made by the Company's related party in behalf of the Company. These are unsecured, unguaranteed and have no fixed repayment period. All transactions will be settled through cash payment or offset arrangement.

*Financial liabilities at amortized cost*

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2023 and 2022, included in financial assets at amortized cost are the Company's *Trade and other payables* (excluding due to government agencies) and *Advances from related parties* (see notes 6 and 10).

- (a) Trade and other payables include payable to insurance companies, which represent insurance premiums collected by the Company from policyholders that shall be remitted to insurers.

Other payables include non-trade payables, due to government agencies and accrued expenses. Payables are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer while non-trade payables are classified as current liabilities if payment is due within one year or less. If not, these are presented as noncurrent liabilities.

- (b) Advances from related parties are non-interest bearing cash advances from related parties for working capital purposes. These are unsecured, unguaranteed and have no fixed repayment period. All transactions will be settled through cash payment or offset arrangement.

#### **Amortized cost and effective interest method**

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECLs), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Interest income is presented separately in the statements of comprehensive income.

### **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset, and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Derecognition of financial assets and liabilities**

#### *(a) Financial assets*

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

- the 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 third party under a “pass-through” arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of 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 of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### *(b) Financial liabilities*

A financial liability is derecognized when the obligation under the liability was 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 statements of comprehensive income.

### **Impairment of financial assets**

Credit losses are 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 the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables, the Company applies a simplified approach in calculating ECLs. The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account in the statements of financial position.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of receivables and contract assets, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

**Other current assets**

The Company's other current assets consist of creditable withholding tax, input value-added tax (VAT) and prepaid insurance.

Creditable withhold tax is deducted from income tax payable on the same year the revenue was recognized.

Claims for input VAT are stated at fair value less provision for impairment loss, if any. Allowance for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Prepaid insurance is apportioned over the period covered by the payment and charged to the appropriate accounts in the statements of comprehensive income when incurred.

Other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

### **Related parties and related party transactions**

Parties are considered to be related if one party has ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

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

### **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Capital stock represents the par value of shares that have been issued at the end of the reporting period.

Retained earnings includes all current and prior results as disclosed in the statements of comprehensive income and the statements of changes in equity.

### **Revenue recognition**

Revenue is recognized when service is rendered to a customer at an amount that reflects the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue from the following sources:

- (a) *Commission revenues* - Commission revenues refer to fees earned by brokers and agents of the Company from its sale of insurances contracts to customers. Revenues from commission is recognized when earned.
- (b) *Interest income* - Interest is recognized as it accrues using the effective interest method.

### **Expense recognition**

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

## **Employee benefits**

### *Short-term employee benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

## **Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Company reassesses the need to recognize previously unrecognized deferred income tax asset.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Provisions and contingencies**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. They 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 disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

### **Events after reporting date**

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

## **3. MATERIAL ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements in compliance with PFRS requires the management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon the management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments 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.

### **Significant accounting judgments in applying the Company's accounting policies**

#### *(a) Business model assessment*

Classification and measurement of financial assets depend on the results of the business model and solely for payments of principal and interest test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

*(b) Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage one assets, or lifetime ECL for stage two or stage three assets. An asset moves to stage two when its credit risk has increased significantly since initial recognition. The standard does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The management assessed that there has no significant increase in credit risk on the Company's financial assets for the years ended December 31, 2023 and 2022.

*(c) Impairment of financial assets*

The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period. No allowance for ECLs recognized as at December 31, 2023 and 2022 for the Company's financial assets.

The Company's assessment of its financial assets for not recognizing allowance for ECL are as follows:

- *Cash* - Cash includes cash in bank and the Company assessed cash as not impaired as these are all maintained in banks with good credit rating on standing.
- *Trade and other receivables and Due from a related party* - The Company assessed trade and other receivables and due from a related party as not impaired and fully collectible since these are immediately settled on demand.

#### 4. CASH

This account consists of:

	2023	2022
Cash in bank	P14,411,473	P4,340,720
Revolving fund	295,213	141,786
<b>Total</b>	<b>P14,706,686</b>	<b>P4,482,506</b>

Interest income earned from bank deposits are presented as *Interest income* in the statements of comprehensive income and amounted to P6,852 in 2023 and P12,038 in 2022.

There is no restriction on the Company's cash as at December 31, 2023 and 2022.

#### 5. TRADE AND OTHER RECEIVABLES

This account consists of:

	2023	2022
Commission receivables from insurance companies	P8,245,600	P511,511
Advances to officers and employees	757,792	313,183
<b>Total</b>	<b>P9,003,392</b>	<b>P824,694</b>

Commission receivables from insurance companies are usually settled within 15 to 30 days after billing date and are non-interest bearing.

Advances to employees refer to duly approved cash advances for official business to the Company's officers and employees that are subject to liquidation.

As at December 31, 2023 and 2022, the management believes that the recoverability of trade and other receivables is certain. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

#### 6. TRADE AND OTHER PAYABLES

This account consists of the following:

	2023	2022
Payable to insurance companies	P9,425,207	P2,203,852
Output VAT	3,935,321	2,283,825
Due to government agencies	116,967	449,275
Accrued salaries, wages, and employee benefits	-	70,492
Others	27,994	132,921
<b>Total</b>	<b>P13,505,489</b>	<b>P5,140,365</b>

Payable to insurance companies represent insurance premiums collected by the Company from policyholders which shall be remitted to insurers.

Due to government agencies pertains to the tax withheld from payment to suppliers, employee's compensation, and statutory contributions to SSS, PHIC and HDMF.

## 7. EQUITY

### Capital stock

Details of this account are as follow:

	2023	2022
Common shares: ₱1,000 par value		
Authorized: 100,000 shares, ₱100,000,000	<b>₱100,000,000</b>	₱100,000,000
Subscribed, issued and paid-up: 27,100 shares	<b>27,100,000</b>	27,100,000

### Excess retained earnings over paid-up capital stock

Under the Philippine Corporation Code, stock corporations are prohibited from retaining surplus profits in excess of their paid-up capital stock except when justified by any of the reasons mentioned in the Code.

As at December 31, 2023, the Company's retained earnings were in excess of the paid-up capital. The management of the Company believes that the retention of earnings is necessary for working capital requirements and for future declaration of dividends.

## 8. SERVICE FEES

This pertain to business support services provided by the Parent Company which include collection fees for an agreed amount of remuneration. The fee will be based on the schedule of the unit rates and to be applied to the monthly collections of the Company (see note 10).

Service fees expenses amounted to ₱52,188,438 in 2023 and ₱96,483,913 in 2022.

## 9. ADMINISTRATIVE EXPENSES

This account consists of the following:

	2023	2022
Salaries, wages and employee benefits	₱9,893,179	₱4,865,071
Professional fees	2,520,252	1,933,912
Representation	1,122,018	620,979
Travel and transportation	980,107	322,534
Commission	600,000	-
Rentals (note 12)	421,643	-
Taxes and licenses	393,735	260,585
Documentation and processing	256,286	10,315
Training and development	133,816	90,483
Communications	61,040	107,839
Advertising and promotions	56,880	7,140
Meetings	56,710	6,992
Repairs and maintenance	13,004	2,679
Stationery and office supplies	11,898	21,896
Annual dues	7,440	11,160
Recruitment	-	26,650
Miscellaneous	205,439	278,001
<b>Total</b>	<b>₱16,733,447</b>	<b>₱8,566,236</b>

## 10. RELATED PARTY TRANSACTIONS

The Company in the normal course of business, has transactions with its related parties. The following are the specific relationship, amount of transactions, account balances, the terms and conditions, and the nature of the consideration to be provided in settlement.

<b>Related parties</b>	<b>Relationship</b>			
Handumanan Development Corporation (HDC)	Ultimate parent company			
Ruralnet, Inc. (RI)	Parent company			
Arcenas Development Corporation (ADC)	Affiliate			

	Transactions		Outstanding balances	
	2023	2022	2023	2022
<i>Due from a related party (a)</i>				
RI	₱86,878,768	₱105,729,377	₱17,725,132	₱17,728,743

	Transactions		Outstanding balances	
	2023	2022	2023	2022
<i>Advances from (to) related parties (b)</i>				
ADC	₱11,308	₱ -	₱11,308	₱ -
HDC	-	-	(18,416)	6,027
Officers	197,336	327,360	2,081,088	1,883,752
<b>Total</b>	<b>₱208,644</b>	<b>₱327,360</b>	<b>₱2,073,980</b>	<b>₱1,889,779</b>

- (a) *Commission income and service fees* - RI serves as the Company's collecting agent for its insurance commissions from third-party insurers. Total collections received by RI in behalf of the Company amounted to ₱86,878,768 in 2023 and ₱105,729,377 in 2022.

On the other hand, the Company is charged by RI for service fees in relation to the commission earned for the period. These are presented as *Service fees* in the statements of comprehensive income, which amounted to ₱52,188,438 in 2023 and ₱96,483,913 in 2022 (see note 8).

The net outstanding balance is presented as *Due from a related party* in the statements of financial position.

- (b) The Company received/extended non-interest bearing cash advances from/to related parties for working capital purposes. The outstanding balances are presented as *Advances from related parties (net)* in the statements of financial position.

The related party transactions are unsecured, unguaranteed and have no fixed repayment period. All transactions will be settled through cash payment or offset arrangement. No impairment loss recognized for receivable from a related party in 2023 and 2022.

#### Compensation to key management personnel

The Company paid ₱3,768,068 in 2023 and ₱350,000 in 2022 consisting of short-term benefits to key management personnel.

## 11. INCOME TAXES

The reconciliation of tax on pre-tax income computed based on the applicable statutory income tax rate and recognized as income tax expense in the statements of comprehensive income is as follows:

	2023	2022
Income before tax	₱22,963,397	₱23,991,734
Tax at the applicable tax rate at 25%	5,740,849	5,997,934
Add (deduct) tax effect of the following:		
Non-deductible expenses	181,280	73,880
Non-taxable income	(1,713)	(1,002)
Change in tax rates	-	(268,231)
Reported income tax expense	₱5,920,416	₱5,802,581

## 12. LEASES

The Company entered into a lease agreement with for its office. This is a lease of a commercial space for a period of 12 months, renewable upon the mutual agreement of the parties in writing. Total rentals amounted to ₱421,643 in 2023, and is presented under *Administrative expenses* in the statements of comprehensive income (see note 9).

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management policies focus on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company's principal financial instruments are composed of *Cash, Trade and other receivables, Due from a related party, Trade and other payables* (excluding local and other taxes and other liabilities to government agencies) and *Advances from related parties*. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes, nor does it have options.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

#### *Credit risk management*

In order to minimize credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

#### *Credit risk exposure*

The table below shows the gross maximum exposure to credit risk of the Company:

#### December 31, 2023

	Gross carrying amount	Net maximum exposure
Cash	₱14,706,686	₱14,411,473
Trade and other receivables	9,003,392	-
Due from a related party	17,725,132	-
<b>Total</b>	<b>₱41,435,210</b>	<b>₱14,411,473</b>

#### December 31, 2022

	Gross carrying amount	Net maximum exposure
Cash	₱4,482,506	₱4,340,720
Trade and other receivables	824,694	-
Due from a related party	17,728,743	-
<b>Total</b>	<b>₱23,035,943</b>	<b>₱4,340,720</b>

Cash, trade and other receivables, and due from a related party are assessed to have low credit risk at each reporting period.

Cash balances are held by reputable banking institutions and trade and other receivables are collectible from reputable insurance companies, while advances to employees are collectible through salary deductions. The identified impairment loss on these financial assets is immaterial, hence no ECL is recognized. Due from a related party are collectible on demand.

### Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be at least equal to ₱1,000,000 at any given time to compensate for two months of operational expenses due fluctuation of cash inflows.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

#### December 31, 2023

	Within one year	Later than one year but not more than five years	Total
Trade and other payables*	₱9,453,201	₱ -	₱13,388,522
Advances from related parties	-	2,073,980	2,073,980
<b>Total</b>	<b>₱9,453,201</b>	<b>₱2,073,980</b>	<b>₱15,462,502</b>

\* - excluding due to government agencies totaling ₱4,052,288

#### December 31, 2022

	Within one year	Later than one year but not more than five years	Total
Trade and other payables**	₱2,407,265	₱ -	₱2,407,265
Advances from related parties	-	1,889,779	1,889,779
<b>Total</b>	<b>₱2,407,265</b>	<b>₱1,889,779</b>	<b>₱4,297,044</b>

\*\* - excluding due to government agencies totaling ₱2,733,100

#### 14. CAPITAL RISK OBJECTIVE AND MANAGEMENT

Based on Circular Letter No. 1-2006 dated April 24, 2006, the IC issued the capitalization requirements for insurance brokers. This requires minimum paid-up capitalization of ₱20,000,000.

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital such as interest expense and reduce the need to obtain long-term borrowings.

In order to maintain or adjust the capital structure, the Company may adjust the number of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital that the Company manages includes all components of its equity attributable to equity holders of the Company as shown in the statements of financial position. The Company monitors its capital through its equity ratio. This financial ratio is indicative of the relative proportion of equity applied to finance the assets of the Company. The Company's strategy was to maintain the equity ratio within 70% to 80%, in order to secure access to finance at a reasonable cost.

The equity ratios are as follows:

	2023	2022
Total equity (a)	₱55,547,618	₱38,504,637
Total assets (b)	71,127,087	45,534,781
Equity ratio (a/b)	78%	85%

#### 15. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

##### Assets and liabilities not measured at fair value

The carrying amounts of *Cash, Trade and other receivables, Due from a related party, and Trade and other payables* approximate their fair values due to the short-term maturities of these financial instruments as at December 31, 2023 and 2022.

The carrying amount and fair value of the categories of noncurrent financial asset and liability presented in the statements of financial position are shown below:

##### December 31, 2023

	Carrying values	Fair values	Fair value hierarchy
<b>Financial liability</b>			
Advances from related parties	₱2,073,980	₱1,975,219	Level 2

December 31, 2022

	Carrying values	Fair values	Fair value hierarchy
<b>Financial liability</b>			
Advances from related parties	₱1,889,779	₱1,799,790	Level 2

The fair value of the advances from related parties is determined based on the discounted cash flow analysis using risk-free interest rates of 5% in 2023 and 2022.

**16. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)**

On December 28, 2010, the BIR issued Revenue Regulation (RR) No.15-2010 which amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRSs.

This supplemental information is presented as follows:

a. Output VAT

December 31, 2023				
	VATable	Exempt	Zero-rated	Total
Sale of services	₱89,561,713	₱ -	₱ -	<b>₱89,561,713</b>

In 2023, the total amount of VAT output tax amounted to ₱10,747,406.

b. Details of input (output) VAT are as follows:

	2023
Balance at beginning of year	₱2,017,993
Add: Current year's domestic purchases	6,596,290
Total available input VAT	8,614,283
Less: Applied against output VAT during the year	(7,256,318)
Balance at end of year	<b>₱1,357,965</b>

c. Schedule of taxes and licenses are as follows:

	2023
Business permits and licenses	₱379,132
Community tax certificate	10,500
Vehicle registration fees	1,747
BIR annual registration fee	500
Others	1,856
Total	<b>₱393,735</b>

- d. Schedule of withholding taxes are as follows:

	2023
Expanded withholding taxes	₱1,731,828
Tax on compensation and benefits	831,401
<b>Total</b>	<b>₱2,563,229</b>

- e. The Company has no deficiency tax assessment during the year 2023. The Company has no tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside BIR.

\* \* \*