



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Anchor Insurance Brokerage Corporation
14th Floor, Talpan Place, F. Ortigas Jr. Road,
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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



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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 20 as attached to annual income tax return 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 Anchor Insurance Brokerage Corporation. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.


CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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Issued January 2, 2025, Makati City

March 14, 2025

Makati City, Metro Manila

ANCHOR INSURANCE BROKERAGE CORPORATION
(A Subsidiary of San Miguel Corporation)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2024	2023
ASSETS			
Current Assets			
Cash and cash equivalents	5, 17	P221,043,188	P240,212,705
Receivables	6, 17	49,324,872	35,081,727
Other current assets	7, 17	31,554,726	27,534,444
Total Current Assets		301,922,786	302,828,876
Noncurrent Assets			
Property and equipment	8	33,801,705	36,219,344
Net deferred tax assets	14	8,896,641	7,339,515
Total Noncurrent Assets		42,698,346	43,558,859
		P344,621,132	P346,387,735
LIABILITIES AND EQUITY			
Current Liabilities			
Premiums due to underwriters	9, 17	P150,503,470	P141,918,918
Accounts payable and accrued expenses	10, 16, 17	59,722,474	62,151,178
Total Current Liabilities		210,225,944	204,070,096
Noncurrent Liability			
Retirement liability	15	13,865,616	13,168,326
Total Liabilities		224,091,560	217,238,422
Equity			
Capital stock	18	45,000,000	45,000,000
Treasury stock - at cost	18	(27,785,867)	-
Retained earnings	18	121,334,715	95,777,516
Equity reserve for retirement plan	15	(18,019,276)	(11,628,203)
Total Equity		120,529,572	129,149,313
		P344,621,132	P346,387,735

See Notes to the Financial Statements.

ANCHOR INSURANCE BROKERAGE CORPORATION
(A Subsidiary of San Miguel Corporation)

STATEMENTS OF INCOME

		Years Ended December 31	
	Note	2024	2023
REVENUES			
Commissions	12	P171,766,282	P168,311,198
Service fees		3,010,718	2,975,004
		174,777,000	171,286,202
COSTS AND EXPENSES			
Salaries and employee benefits	15	74,026,492	72,926,416
Directors' and management fees	16	16,773,555	14,217,264
Contracted services		13,819,654	11,810,238
Repairs and maintenance		6,769,540	6,634,031
Communications, light and water		3,635,075	3,176,961
Taxes and licenses		3,155,960	3,165,807
Depreciation and amortization	8	2,485,138	2,059,342
Membership and association dues		1,487,888	1,516,309
Trainings and seminars		1,411,427	1,575,174
Supplies		1,304,252	1,122,368
Others		2,340,083	1,841,221
		127,209,064	120,045,131
OTHER INCOME - Net	13	12,349,092	5,863,167
INCOME BEFORE INCOME TAX		59,917,028	57,104,238
INCOME TAX EXPENSE	14	14,359,829	14,616,894
NET INCOME		P45,557,199	P42,487,344

See Notes to the Financial Statements.

ANCHOR INSURANCE BROKERAGE CORPORATION
(A Subsidiary of San Miguel Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	<i>Note</i>	2024	2023
NET INCOME		₱45,557,199	₱42,487,344
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss</i>			
Equity reserve for retirement plan	15	(8,521,430)	(2,754,145)
Income tax benefit		2,130,357	688,536
		(6,391,073)	(2,065,609)
TOTAL COMPREHENSIVE INCOME		₱39,166,126	₱40,421,735

See Notes to the Financial Statements.

ANCHOR INSURANCE BROKERAGE CORPORATION

(A Subsidiary of San Miguel Corporation)

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

	Note	Capital Stock	Treasury Stock	Retained Earnings	Equity Reserve for Retirement Plan	Total Equity
Balances as at January 1, 2024		P45,000,000	P-	P95,777,516	(P11,628,203)	P129,149,313
Net income		-	-	45,557,199	-	45,557,199
Equity reserve for retirement plan, net of deferred tax	15	-	-	-	(6,391,073)	(6,391,073)
Total comprehensive income (loss)		-	-	45,557,199	(6,391,073)	39,166,126
Cash dividends	18	-	-	(20,000,000)	-	(20,000,000)
Buy back of capital stock	18	-	(27,785,857)	-	-	(27,785,857)
Balances as at December 31, 2024		P45,000,000	(P27,785,857)	P121,334,715	(P18,019,276)	P120,529,572
Balances as at January 1, 2023		P45,000,000	P-	P83,290,172	(P9,562,594)	P118,727,578
Net income		-	-	42,487,344	-	42,487,344
Equity reserve for retirement plan, net of deferred tax	15	-	-	-	(2,065,609)	(2,065,609)
Total comprehensive income (loss)		-	-	42,487,344	(2,065,609)	40,421,735
Cash dividends	18	-	-	(30,000,000)	-	(30,000,000)
Balances as at December 31, 2023		P45,000,000	P-	P95,777,516	(P11,628,203)	P129,149,313

See Notes to the Financial Statements.

ANCHOR INSURANCE BROKERAGE CORPORATION
(A Subsidiary of San Miguel Corporation)

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P59,917,028	P57,104,238
Adjustments for:			
Interest income	5, 13	(9,983,930)	(7,883,138)
Retirement expense	15	4,926,283	3,772,582
Depreciation and amortization	8	2,485,138	2,059,342
Net operating income before working capital changes		57,344,519	55,053,024
Increase in:			
Receivables		(14,243,145)	(2,203,923)
Other current assets		(4,020,282)	(7,526,314)
Increase (decrease) in:			
Premiums due to underwriters		8,584,552	36,471,357
Accounts payable and accrued expenses		(2,428,704)	566,496
Net cash generated from operations		45,236,940	82,360,640
Income taxes paid		(13,786,598)	(14,596,274)
Contributions to the retirement plan	15	(12,750,423)	(5,012,458)
Interest received		9,983,930	7,883,138
Net cash flows provided by operating activities		28,683,849	70,635,046
CASH FLOW FROM AN INVESTING ACTIVITY			
Additions to property and equipment	8	(67,499)	(2,829,394)
CASH FLOWS FROM FINANCING ACTIVITIES			
Buy back of capital stock	18	(27,785,867)	-
Cash dividends paid	18	(20,000,000)	(36,062,499)
Payments of lease liabilities	11	-	(53,941)
Cash flows used in financing activities		(47,785,867)	(36,116,440)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(19,169,517)	31,689,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		240,212,705	208,523,493
CASH AND CASH EQUIVALENTS AT END OF YEAR	5, 17	P221,043,188	P240,212,705

See Notes to the Financial Statements.

ANCHOR INSURANCE BROKERAGE CORPORATION
(A Subsidiary of San Miguel Corporation)

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Anchor Insurance Brokerage Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 16, 1983. The Company is 74.27% owned by San Miguel Corporation (SMC), a public company under Section 17.2 of the Revised Securities Regulation Code (SRC), and its shares are listed on the Philippine Stock Exchange, Inc. The Ultimate Parent Company is Top Frontier Investment Holdings, Inc., a holding company, incorporated and domiciled in the Philippines.

The Company is primarily engaged in brokerage for insurance, reinsurance, pre-need and health maintenance plans, consultancy and management including acting as insurance, reinsurance, pre-need and health maintenance plan broker and as general manager or general broker for any life or non-life insurance or reinsurance company doing business or authorized to do business in the Philippines.

On December 23, 2024, the Insurance Commission (IC) approved the renewal of the license effective January 1, 2025 until December 31, 2027.

The registered office address of the Company is at 14th Floor, Taipan Place, F. Ortigas Jr. Road, Ortigas Center, Pasig City.

2. Basis of Preparation

Statement of Compliance

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

The financial statements as at and for the years ended December 31, 2024 and 2023 were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 14, 2025.

Basis of Measurement

The financial statements of the Company have been prepared on a historical cost basis, except for the retirement liability that is measured at the present value of the defined benefit retirement obligation less the fair value of the plan assets.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, which is the Company's functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

3. Material Accounting Policy Information

The material accounting policies set out below have been applied consistently to all years presented in the financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of amended standards as part of PFRS Accounting Standards.

Adoption of Amended Standards

The Company has adopted the following amended PFRS Accounting Standards effective January 1, 2024 and accordingly, changed its accounting policies in the following area:

- Classification of Liabilities as Current or Noncurrent – 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
 - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Company.

Amended Standards Issued but Not yet Effective or Adopted

A number of amendments to standards are effective for annual reporting periods beginning after December 31, 2024 and have not been applied in preparing the financial statements.

The Company will adopt the following new and amendments to standards on the respective effective dates:

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal

administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

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

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

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

- PFRS Accounting Standards 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1. The new standard introduces the following key requirements:
 - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
 - Management-defined performance measures are disclosed in a single note to the financial statements.
 - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS Accounting Standards is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Retirement liability is classified as noncurrent.

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

A financial asset or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Financial Assets

The Company classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The Company has no financial assets at FVOCI and FVPL as at December 31, 2024 and 2023.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

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

The Company's cash and cash equivalents, receivables (excluding advances to officers and employees presented under "Others") and security deposits presented under "Other current assets" are included under this category (Notes 5, 6, 7, 11, 16 and 17).

Financial Liabilities

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company has no financial liabilities at FVPL as at December 31, 2024 and 2023.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. Gains and losses are recognized in the statements of income where the liabilities are derecognized as well as through the amortization process.

The Company's liabilities arising from its premiums due to underwriters, accounts payable and accrued expenses (excluding payables to regulatory agencies), dividends payable and lease liabilities are included under this category (Notes 9, 10, 11, 16, 17 and 18).

Derecognition of Financial Assets and Financial Liabilities

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets

The Company recognizes allowance for expected credit losses (ECL) on receivables and other financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECL for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting period, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of a financial asset by the Company on the terms that the Company would not consider otherwise;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the statement of comprehensive income.

Classification of Financial Instruments between Liabilities and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Offsetting Financial Instruments

Financial assets and financial 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 liabilities simultaneously.

Other Current Assets

Other current assets, which include creditable withholding tax (CWT), prepayments and deferred input value-added tax (VAT), are stated at face value and subsequently measured at cost less any impairment in value.

CWT. CWT represents the amount withheld by the Company's customer in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the statement of comprehensive income as they are consumed or expire with the passage of time.

Property and Equipment

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

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

Capital projects in progress (CPIP) represent the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. CPIP is not depreciated until such time that the relevant assets are ready for use.

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

	Number of Years
Office condominium and improvements	20 to 50
Office furniture, fixtures and equipment	3 to 5
Right-of-use (ROU) asset	4 to 5 or the lease term, whichever is shorter

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

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

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

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

Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether, throughout the period of use:

- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

The Company has elected not to recognize ROU asset and lease liability for short-term leases of parking slots that have a lease term of 12 months. The Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Impairment of Non-financial Assets

The carrying amounts of property and equipment and other assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

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

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

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

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

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

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

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

Premiums Due to Underwriters

Premiums due to underwriters pertain to the total amount of premiums already collected by the Company on behalf of the insurance providers but not yet remitted to the latter.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Treasury Stock. Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings. Retained earnings represent the accumulated net income or losses, net of any dividends and distributions and other capital adjustments.

Dividend distribution to the Company's shareholders is recognized in the period in which the dividends are approved by the Company's BOD. The Company intends to declare dividends subject to availability of retained earnings and operational requirement.

Other Comprehensive Loss. Other comprehensive loss comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in the statement of income for the year. Other comprehensive loss of the Company pertains to equity reserve for retirement plan.

Revenue Recognition

The Company recognizes revenue from contracts with customers when control of services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements to determine if it is acting as principal or agent.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

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

Commissions. Commissions on direct insurance and reinsurance brokerage is recognized when the insured is billed by the Company and upon issuance of reinsurance binder or statement of accounts to reinsurers, respectively, as it is when the services have been performed. The amount of income is adjusted when there are cancellations or additions in insurance coverage.

Service Fees. Service fees are recognized when the Company provided insurance assistance to the insured as evidenced by a service invoice.

The Company recognizes commissions and service fees on net basis as the Company was determined to be an agent in its revenue arrangements.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Costs and Expenses

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

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

Retirement Benefits. The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability (asset); and
- Remeasurements of defined benefit retirement liability (asset)

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability or asset. Net interest on the defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and the effect of asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not classified to statement of comprehensive income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income. The Company recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate or exchange ruling at the reporting period.

Foreign currency differences arising on translation are recognized in the statement of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Taxes

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