

The Company periodically evaluates position taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences.

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

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

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

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

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

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

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

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

Related Parties

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Provisions

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

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the financial statements when material.

4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

Determining Fair Value. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial assets and liabilities are discussed in Note 17.

Determining whether the Company is Acting as Principal or an Agent in a Revenue Transaction. The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined that it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as an agent in its revenue arrangements.

Evaluating Contingencies. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has not recognized any provision as at December 31, 2024 and 2023.

Estimates and Assumptions

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

Assessing ECL on Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Company has assessed that the forward-looking default rate component of its ECL on receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Company from its trade receivables.

The Company did not recognize provision for impairment losses on its receivables in 2024 and 2023. The allowance for impairment losses on receivables amounted to P0.15 million as at December 31, 2024 and 2023. The carrying amount of receivables (excluding advances to officers and employees presented under "Others") amounted to P49.3 million and P35.04 million as at December 31, 2024 and 2023, respectively (Note 6).

Assessing ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized.

The carrying amounts of other financial assets at amortized cost as at December 31, 2024 and 2023 are as follows:

	<i>Note</i>	2024	2023
Cash and cash equivalents*	5	₱220,983,188	₱240,152,705
Security deposits**	7	61,680	62,400
		₱221,044,868	₱240,215,105

*Excluding cash on hand amounting to ₱60,000 in 2024 and 2023.

**Included under "Other current assets" account.

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

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

Depreciable property and equipment, net of accumulated depreciation and amortization, amounted to ₱31.59 million and ₱34.01 million as at December 31, 2024 and 2023, respectively. Accumulated depreciation and amortization of property and equipment amounted to ₱38.57 million and ₱36.08 million and as at December 31, 2024 and 2023, respectively (Note 8).

Assessing Impairment of Property and Equipment and Other Nonfinancial Assets. PFRS Accounting Standards require that an impairment review be performed on property and equipment and other nonfinancial assets, when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

As at December 31, 2024 and 2023, management has assessed that no indications exist that the property and equipment and other nonfinancial assets are impaired.

The carrying amount of property and equipment amounted to ₱33.80 million and ₱36.22 million as at December 31, 2024 and 2023, respectively (Note 8).

Determining Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 15 to the financial statements and include discount rate and salary increase rate.

The Company determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms of maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's defined benefit retirement obligation.

The present value of defined benefit obligation amounted to ₱50.71 million and ₱73.63 million as at December 31, 2024 and 2023, respectively (Note 15).

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

As at December 31, 2024 and 2023, the Company's deferred tax assets amounted to ₱11.44 million and ₱7.92 million, respectively (Note 14).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2024	2023
Cash on hand		₱60,000	₱60,000
Cash in banks		12,957,436	45,492,656
Short-term investments		208,025,752	194,660,049
	17	₱221,043,188	₱240,212,705

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Company and earn interest at short-term investment rates. Interest rates range from 0.13% to 5.75% and 0.38% to 5.85% in 2024 and 2023, respectively.

Interest income earned from cash in banks and short-term investments amounted to ₱9.98 million and ₱7.88 million in 2024 and 2023, respectively (Note 13). Accrued interest receivable from short-term investments presented under "Others" in 'Receivables' account amounted to ₱198,720 and ₱453,588 as at December 31, 2024 and 2023, respectively.

6. Receivables

Receivables consist of:

	Note	2024	2023
Commissions		₱33,230,797	₱29,883,884
Service fees -			
Third parties		7,704,246	2,983,332
Others		8,535,959	2,360,641
		49,471,002	35,227,857
Allowance for impairment loss		(146,130)	(146,130)
	17	₱49,324,872	₱35,081,727

The aging of receivables is as follows:

	2024	2023
Current	₱28,617,871	₱20,905,567
Past due:		
1-30 days	5,888,814	5,049,455
31-60 days	1,418,167	3,166,607
61-90 days	970,322	1,228,614
Over 90 days	12,575,828	4,877,014
	₱49,471,002	₱35,227,857

Receivables from commissions and service fees have normal credit terms of 60 days.

The Company believes that the unimpaired amounts that are past due by more than 60 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

Accrued interest receivable amounted to ₱198,720 and ₱453,588 as at December 31, 2024 and 2023, respectively.

Other receivables mainly pertains to interest receivables from short-term placements and advances from employees.

7. Other Current Assets

Other current assets consist of:

	Note	2024	2023
Prepaid taxes and licenses		₱31,493,046	₱27,272,785
Security deposits	11, 17	61,680	62,400
Deferred input VAT		—	199,259
		₱31,554,726	₱27,534,444

Prepaid taxes and licenses pertain to creditable withholding taxes and prepaid real estate taxes.

Deferred input VAT pertains to input VAT on purchases of goods and services, which can be claimed by the Company when the requirements of the taxation authority are met.

8. Property and Equipment

Property and equipment consist of:

	Office Condominium and Improvements	Office Furniture, Fixtures and Equipment	Capital Project in Progress	ROU Asset (Note 11)	Total
Cost					
January 1, 2023	P66,741,501	P8,061,022	P2,707,306	P973,949	P72,983,778
Retirements/Derecognition	—	(2,536,978)	—	(973,949)	(3,510,927)
Additions	—	2,829,394	—	—	2,829,394
December 31, 2023	66,741,501	8,353,438	2,707,306	—	72,302,245
Additions	—	67,499	—	—	67,499
December 31, 2024	66,741,501	8,420,937	2,707,306	—	72,369,744
Accumulated Depreciation and Amortization					
January 1, 2023	33,595,489	2,984,159	—	954,838	37,534,486
Retirements/Derecognition	—	(2,536,978)	—	(973,949)	(3,510,927)
Depreciation and amortization	1,498,368	541,863	—	19,111	2,059,342
December 31, 2023	35,093,857	989,044	—	—	36,082,901
Depreciation and amortization	1,498,367	986,771	—	—	2,485,138
December 31, 2024	36,592,224	1,975,815	—	—	38,568,039
Carrying Amount					
December 31, 2023	P31,647,644	P8,364,394	P2,707,306	P—	P36,219,344
December 31, 2024	P30,149,277	P1,445,122	P2,707,306	P—	P33,801,705

Cost of fully depreciated property and equipment still being used in the operations of the Company amounted to P443,750 as at December 31, 2024 and 2023.

9. Premiums Due to Underwriters

This account represents the amount collected by the Company from policyholders to be subsequently remitted to various insurers that the Company represents amounting to P150.50 million and P141.92 million as at December 31, 2024 and 2023, respectively (Note 17).

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2024	2023
Accounts payable:			
Third parties	17	P40,975,953	P40,674,185
Related parties	16, 17	709,469	170,298
Accrued expenses	17	9,458,894	11,628,698
Payables to regulatory agencies		8,415,346	9,393,475
Others	17	162,812	284,522
		P59,722,474	P62,151,178

Accounts payable mainly pertain to payable to suppliers for purchase of goods and services with 30-day credit term. Accounts payable include transactions with related parties.

Accrued expenses consist of accrued bonuses, leaves and other benefits.

11. Lease Commitments

The Company has existing short-term lease agreements for the lease of two parking slots with one-year term, renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement.

Rent expense amounted to P109,800 and P90,059 in 2024 and 2023, respectively.

The security deposits pertaining to the lease agreements amounted to P61,680 and P62,400 as at December 31, 2024 and 2023, respectively, are presented under "Other current assets" account in the statements of financial position.

12. Commissions

Commission revenue is earned from providing brokerage services 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 a 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.

Commission revenue amounted to P171.77 million and P168.31 million in 2024 and 2023, respectively.

13. Other Income (Charges)

Other income (charges) consists of:

	Note	2024	2023
Interest income	5	P9,983,930	P7,883,138
Net foreign exchange gain (loss)		2,399,665	(1,960,252)
Bank charges		(34,503)	(59,719)
		P12,349,092	P5,863,167

14. Taxes

The components of income tax expense are shown below:

	2024	2023
Current	P11,910,043	P13,094,509
Final	1,876,554	1,501,766
Deferred	573,232	20,619
	P14,359,829	P14,616,894

Current income tax expense pertains to regular corporate income tax in 2024 and 2023.

Net deferred tax assets (liabilities) arise from the following:

	2024	2023
Recognized in profit or loss:		
Unamortized past service cost	₱3,028,981	₱1,103,725
Retirement liability	(2,540,021)	(583,986)
Accrued leave and other benefits	2,364,723	2,907,175
Allowance for impairment loss on receivables	36,533	36,533
	2,890,216	3,463,447
Recognized in other comprehensive income -		
Equity reserve for retirement plan	6,006,425	3,876,068
	₱8,896,641	₱7,339,515

Optional Standard Deduction (OSD)

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40.00% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year which the option was made.

The Company opted to use itemized deduction in 2024 and OSD in 2023.

The reconciliation between the statutory income tax rate on income before income tax and the Company's effective income tax rates is as follows:

	2024	2023
Statutory income tax rate	25.00%	25.00%
Income tax effect resulting from:		
Interest income subjected to final tax	(1.03%)	(0.82%)
Effect of OSD over itemized deductions	-	1.42%
Effective income tax rates	23.97%	25.60%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the corporate income tax rate starting July 2020. As a result, the Company has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

15. Personnel Expenses

Salaries and employee benefits consist of:

	2024	2023
Salaries, wages and allowances	₱58,489,463	₱57,329,427
Retirement expense	4,926,283	3,772,582
Other benefits	10,610,746	11,824,407
	₱74,026,492	₱72,926,416

Other benefits include government-mandated benefits, rice ration, transportation allowances, group life insurance, hospitals, doctors' fee and medicines, and others.

Retirement Plan

The Company has a funded, noncontributory, defined benefit retirement plan (the Retirement Plan) covering all of their permanent employees. The Retirement Plan of the Company pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is as at December 31, 2024. Valuations are obtained on an annual basis.

The Retirement Plan is registered with the Bureau of Internal Revenue as a tax-qualified plan under Republic Act No. 4917 (An Act Providing that Retirement Benefits of Employees of Private Firms shall not be subject to Attachment, Levy, Execution, or any tax whatsoever), as amended. The control and administration of the Company's Retirement Plan is vested in the Board of Trustees (BOT) of the Retirement Plan.

The BOT of the Retirement Plan exercises voting rights over the shares and approves material transactions. The Retirement Plan's accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

The following table shows reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Liability	
	2024	2023	2024	2023	2024	2023
Balances at beginning of year	₱60,467,296	₱53,361,865	(₱73,630,622)	(₱65,015,922)	(₱13,168,326)	(₱11,654,057)
Recognized in profit or loss:						
Current service costs	-	-	(3,369,799)	(3,103,600)	(3,369,799)	(3,103,600)
Interest expense	-	-	(4,491,468)	(4,512,105)	(4,491,468)	(4,512,105)
Interest income	2,934,984	3,813,123	-	-	2,934,984	3,813,123
	2,934,984	3,813,123	(7,861,267)	(7,615,705)	(4,926,283)	(3,772,582)
Recognized in other comprehensive income						
Remeasurements:						
Actuarial gains (losses) arising from:						
Changes in financial assumptions	-	-	(152,492)	(2,024,696)	(152,492)	(2,024,696)
Changes in demographic assumptions	-	-	98,974	(483,650)	98,974	(483,650)
Experience adjustments	-	-	(6,607,857)	525,991	(6,607,857)	525,991
Return on plan asset excluding interest	(1,860,055)	(771,790)	-	-	(1,860,055)	(771,790)
	(1,860,055)	(771,790)	(6,661,375)	(1,982,355)	(8,521,430)	(2,754,145)
Contributions	12,750,423	5,012,458	-	-	12,750,423	5,012,458
Benefits paid	(37,446,023)	(983,360)	37,446,023	983,360	-	-
	(24,695,600)	4,029,098	37,446,023	983,360	12,750,423	5,012,458
Balances at end of year	₱36,841,625	₱60,467,296	(₱50,707,241)	(₱73,630,622)	(₱13,865,616)	(₱13,168,326)

The Company's annual contribution to the Retirement Plan consists of payments covering the current service cost. The Company is expected to contribute the amount of ₱3.42 million to the Retirement Plan in 2025.

Movements of equity reserve for retirement plan recognized in other comprehensive loss follows:

	2024		
	Equity Reserve for Retirement Plan	Deferred Tax (see Note 14)	Net
Balance at beginning of year	₱15,504,271	₱3,876,068	₱11,628,203
Net remeasurement loss	8,521,430	2,130,357	6,391,073
Balance at end of year	₱24,025,701	₱6,006,425	₱18,019,276

		2023	
	Equity Reserve for Retirement Plan	Deferred Tax (see Note 14)	Net
Balance at beginning of year	₱12,750,176	₱3,187,532	₱9,562,644
Net remeasurement loss	2,754,145	688,536	2,065,609
Balance at end of year	₱15,504,271	₱3,876,068	₱11,628,203

Retirement expense recognized under "Salaries and employee benefits" account in the statements of income amounted to ₱4.93 million and ₱3.77 million in 2024 and 2023, respectively.

As at December 31, 2024 and 2023, the carrying amounts of the Company's plan assets approximate its fair value.

The Company's plan assets consist of the following:

	2024	2023
Marketable securities	79.35%	82.46%
Investments in pooled funds -		
Fixed income portfolio	18.90%	16.34%
Others	1.75%	1.20%

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plan of the Company to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees (BOT) approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

As at December 31, 2024 and 2023, approximately 0.05% and 0.67% of the Retirement Plan's investments in pooled funds in fixed income portfolio includes investment in shares of stock of SMC and its subsidiaries, respectively.

Others

Others included the Retirement Plan's cash and cash equivalents which earn interest.

The BOT reviews the level of funding required for the retirement funds. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the defined retirement obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the defined benefit retirement obligation.

The Retirement Plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plan. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Company to manage the Retirement Plan efficiently.

Longevity and Salary Risks. The present value of the defined benefit obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, and (2) the future salaries of the plan participants. Consequently, increase in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments. The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2024	2023
Discount rate	6.03	6.10
Salary increase rate	5.00	5.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 4.3 years and 3.4 years as at December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively.

	2024		2023	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P2,083,105)	P2,299,070	(P2,393,432)	P2,624,139
Salary increase rate	2,299,757	(2,121,818)	2,626,725	(2,439,603)

Maturity analysis of the expected future benefit payments as at December 31 is as follows:

	2024	2023
Within 1 year	P22,203,126	P42,785,266
Within 1 to 5 years	16,287,906	21,843,924
More than 5 years	31,747,085	33,975,306

16. Related Party Disclosures

The Company, in the normal course of business, purchases products and services from and sells services to related parties. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible and will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

Below are the transactions with SMC and its subsidiaries, and the following minority stockholders and the outstanding balances as at and for the years ended December 31, 2024 and 2023:

- Coconut Industry Investment Fund Corporate Company
- Private Oil Mills

	Year	Purchases from Related Parties	Amounts Owed to Related Parties (Note 10)	Terms	Conditions
Parent Company	2024	₱15,699,072	₱145,621	On demand;	Unsecured;
	2023	13,024,021	11,369	non-interest bearing	no impairment
Entities under common control	2024	10,010,216	563,848	On demand;	Unsecured;
	2023	9,610,256	158,929	non-interest bearing	no impairment
	2024		₱709,469		
	2023		170,298		

As at December 31, 2024 and 2023, purchases from related parties include directors' and management fees for Parent Company and shareholders, which amounted to ₱16.77 million and ₱14.22 million, respectively.

Key management personnel (KMP) of the Company are those persons having authority and responsibility of planning, directing and controlling the activities of the Company, directly or indirectly, including managers, whether executive or otherwise.

The compensation of the KMP of the Company presented as part of "Salaries and employee benefits" account are as follows:

	2024	2023
Salaries and other short-term benefits	₱27,671,481	₱28,650,632
Retirement benefits	878,553	1,720,460
	₱28,550,034	₱30,371,092

17. Financial Risk Management Objectives and Policies

Objectives and Policies

The Company has significant exposure to a variety of financial risk from its use of financial instruments. The Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance; liquidity; credit and market risks and the Company's management of capital.

The Company's principal non trade-related financial instruments include cash and cash equivalents and security deposits. These financial instruments are used mainly for working capital management purposes. The Company's trade-related financial assets and liabilities such as receivables (excluding advances to officers and employees presented under "Others"), premiums due to underwriters, accounts payable and accrued expenses (excluding payable to regulatory agencies) arise directly from and are used to facilitate operations.

Governance

The primary objective of the Company's financial risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management system.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework. The Company's risk management is coordinated with SMC, in close operation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Financial Risk

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of the financial risk are credit, liquidity and market risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is concentrated on its cash and cash equivalents (excluding cash on hand) and receivables (excluding advances to officers and employees presented under "Others"). To manage this risk, these financial assets are placed and transacted with reputable entities with high quality external credit rating.

As at December 31, 2024 and 2023, financial information of the Company's maximum exposure to credit risk is as follows:

	<i>Note</i>	2024	2023
Cash and cash equivalents*	5	P220,983,188	P240,152,705
Receivables**	6	49,324,872	35,041,727
Security deposits***	7	61,680	62,400
		P270,369,740	P275,256,832

*Excluding cash on hand amounting to P60,000 in 2024 and 2023

**Excluding advances to officers and employees presented under "Others" amounting to nil and P40,000 in 2024 and 2023, respectively

***Included under "Other current assets" account

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on their historical experience with the counter parties.

2024				
	High Grade	Standard Grade	Substandard Grade	Total
Cash and cash equivalents*	P220,983,188	P-	P-	P220,983,188
Receivables	-	49,324,872	-	49,324,872
Security deposits**	-	61,680	-	61,680
	P220,983,188	P49,386,552	P-	P270,369,740

*Note 5 excluding cash on hand amounting to P60,000

**Included under "Other current assets" account

2023				
	High Grade	Standard Grade	Substandard Grade	Total
Cash and cash equivalents*	P240,152,705	P-	P-	P240,152,705
Receivables**	-	35,041,727	-	35,041,727
Security deposits***	-	62,400	-	62,400
	P240,152,705	P35,104,127	P-	P275,256,832

*Note 5 excluding cash on hand amounting to P60,000

**Note 6 excluding advances to officers and employees presented under "Others" amounting to P40,000

***Included under "Other current assets" account

High grade financial assets pertain to those receivables from counter parties that consistently pay before the maturity date. Standard grade financial assets have acceptable probability of default from counterparties that have a strong capacity to meet contractual obligations in the near term. Substandard grade financial assets are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

Financial assets at amortized cost, which are composed mostly of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to officers and employees presented under "Others") and security deposits presented under "Other current assets" are assessed for impairment based on a 12-month ECL.

Liquidity Risk

Liquidity risk pertains to the risk that the Company will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

To manage this risk, the Company closely monitors its cash flows and ensures that adequate funding is available to meet commitments as they arise without incurring unnecessary costs and at the least possible cost.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual cash flows used for liquidity management.

2024				
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Assets				
Cash and cash equivalents	₱221,043,188	₱221,043,188	₱221,043,188	₱-
Receivables - net	49,324,872	49,324,872	49,324,872	-
Security deposits	61,680	61,680	61,680	-
	270,429,740	270,429,740	270,429,740	-
Financial Liabilities				
Premiums due to underwriters	150,503,470	150,503,470	150,503,470	-
Accounts payable and accrued expenses*	51,307,128	51,307,128	51,307,128	-
	201,810,598	201,810,598	201,810,598	-
Net Liquidity Surplus	₱68,619,142	₱68,619,142	₱68,619,142	₱-

*Note 10 excluding payable to regulatory agencies amounting to ₱8.42 million

2023				
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Assets				
Cash and cash equivalents	₱240,212,705	₱240,212,705	₱240,212,705	₱-
Receivables - net*	35,041,727	35,041,727	35,041,727	-
Security deposits	62,400	62,400	62,400	-
	275,316,832	275,316,832	275,316,832	-
Financial Liabilities				
Premiums due to underwriters	(141,918,918)	(141,918,918)	(141,918,918)	-
Accounts payable and accrued expenses**	(52,757,703)	(52,757,703)	(52,757,703)	-
	(194,676,621)	(194,676,621)	(194,676,621)	-
Net Liquidity Surplus	₱80,640,211	₱80,640,211	₱80,640,211	₱-

*Note 6 excluding advances to officers and employees presented under "Others" amounting to ₱40,000

**Note 10 excluding payable to regulatory agencies amounting to ₱9.39 million

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk) and market interest rates (interest rate risk).

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents that the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by management. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmark of investment portfolio to different investment types duly approved by IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposure to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Foreign Currency Risk

Foreign currency risk is the risk that the values of foreign currency-denominated financial assets and financial liabilities in terms of the Company's functional currency will fluctuate and result to losses due to changes in foreign exchange rates. The Company is exposed mainly to foreign currency risk on cash and cash equivalents that are denominated in currencies other than in Philippine Peso.

The table below summarizes the Company's exposure to currency risk as at December 31:

	2024		2023	
	US Dollar	Peso Equivalent*	US Dollar	Peso Equivalent*
Cash in banks	\$53,894	₱3,117,470	\$319,911	₱17,713,488

*Difference may arise due to rounding off

In translating foreign currency-denominated financial assets into Philippine Peso amounts, the exchange rate used was ₱57.85 and ₱55.37 to US \$1.00 as at December 31, 2024 and 2023, respectively, which is based on Philippine Dealing and Exchange Corporation.

The following table demonstrates the sensitivity to a reasonably possible change in US dollar exchange rate, with all the variables held constant of the Company's income before income tax.

	Change in US Dollar Exchange Rate	Increase (Decrease) on	
		Income Before Income Tax	Increase (Decrease) on Equity
2024	+4.47%	(₱791,780)	(₱237,534)
	-4.47%	791,780	237,534
2023	+0.66%	(118,079)	(35,424)
	-0.66%	118,079	35,424

The Company determined the reasonable possible change in foreign currency using one year volatility of the US Dollar and Philippine Peso as this will be the best represent of the movement in foreign exchange rate until the next reporting period.

Interest Rate Risk

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration of the maturity profile.

Exposures to interest rate risk on cash in banks and short-term investments are as follows:

	Interest Rate	Amount
2024	Low 2.50% - High 5.85%	₱221,043,188
2023	Low 0.375% - High 5.85%	240,212,705

All the interest-bearing financial instruments are due within one year.

Fair Value of Financial Instruments

As at December 31, 2024 and 2023, the carrying amounts of the Company's financial assets and financial liabilities such as cash and cash equivalents, receivables (excluding advances to officers and employees presented under "Others"), security deposits (included under "Other current assets" account), premiums due to underwriters and accounts payable and accrued expenses (excluding payable to regulatory agencies), approximate their fair values due to their short-term maturity.

The carrying amount of lease liabilities approximates its fair value because the effective interest rate used for discounting the lease liabilities approximates the current market rate of interest for similar transactions.

18. Capital Management

The Company maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, return capital to shareholders or issue new shares.

The Company defines capital as paid in capital stock and retained earnings. Equity reserves are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Company's business, operation and industry.

The Company monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total liabilities.

As at December 31, 2024 and 2023, the capital considered by the Company consists of:

	2024	2023
Common stock:		
Issued	₱45,000,000	₱45,000,000
Treasury stock - at cost	(27,785,867)	-
	17,214,133	45,000,000
Retained earnings	121,334,715	95,777,516
	₱138,548,848	₱140,777,516

As at December 31, 2024 and 2023, the retained earnings exceeded the paid-in capital stock of the Company. The Company intends to use the excess retained earnings over paid-up capital for future dividend declarations.

On March 23, 2023 and December 11, 2023, cash dividends amounting to ₱10.00 million and ₱20.00 million were declared to shareholders on record as at April 15, 2023 and December 31, 2023, respectively. Dividends amounting to ₱10.00 million and ₱20.00 million were paid on April 15, 2023 and December 31, 2023.

In October 2024, the Company bought a total of 9,656,250 of its outstanding common shares, representing 21.47%, at a price of ₱2.87 per share. The Company paid ₱27.79 million to the stockholders who exercised the buy-back option over its outstanding common shares. The offer to buy-back was approved by the BOD on April 16, 2024.

On November 25, 2024, cash dividends amounting ₱20.00 million were declared to shareholders on record as of date of declaration. Dividends amounting to ₱20.00 million were paid on December 27, 2024.

As a result, the Company became 74.27% directly owned by the Parent Company as at December 31, 2024.

Pursuant to the IC Circular Letter (CL) No. 2018-52, Guidelines on the Licensing Requirements of the Insurance and/or Reinsurance Brokers, dated October 19, 2018, the Company is required to comply with the following:

Capitalization and Net Worth Requirements for Insurance and Reinsurance Brokers

The Company is required to maintain a net worth of at least ₱25,000,000. The capitalization net worth requirements shall be without prejudice to the adoption of risk-based capital approach and other internationally accepted forms of capital framework. Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commission.

Required Bond for Insurance Brokers

Pursuant to IC Circular Letter No. 2018-52, *Guidelines on the Licensing Requirements of the Insurance and/or Reinsurance Brokers*, dated October 19, 2018, every applicant for insurance broker's license shall file with the IC and shall thereafter maintain in force while so licensed, a bond in favor of the people of the Republic of the Philippines executed by a company authorized to become surety upon official recognizances, stipulations, bonds and undertakings. The bonds shall be in amount as may be fixed by the Commissioner, but in no case less than One Million Pesos, ₱1,000,000, and shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions.

Pursuant to the IC Circular Letter (CL) No. 2021-65, Revised On-Site Examination/Off-Site Verification Rules and Procedures, dated November 5, 2021, the Company is required to comply with the following:

Segregation of Client's Money Account

Section 315 of the Amended Insurance Code requires every license insurance and/or reinsurance broker to ensure faithful performance of its fiduciary responsibilities on behalf of its clients and partner insurance and/or reinsurance companies. Thus, an insurance and/or reinsurance broker is required to keep client monies in a client account separate from its own monies. It is not allowed to use client monies for any purpose other than for the purposes of the client. As at December 31, 2024 and 2023, client monies amounting to ₱51.98 million and ₱64.73 million, respectively, handled by the Company are recorded in "Cash and cash equivalents."

Fiduciary Ratio Computation

An insurance and/or reinsurance broker with a credit agreement with an insurance/reinsurance company or broker shall comply with the Fiduciary Ratio Requirement set by Insurance Commission which is 1:1.

Fiduciary asset and liability accounts and fiduciary computation of the Company are as follows:

	2024	2023
Fiduciary Assets		
Cash restricted - Client's Money	₱51,981,152	₱64,727,683
Receivables from Insurance Companies Clients	246,042,478	208,953,266
	298,023,630	273,680,949
Fiduciary Liabilities		
Payables to Insurance Companies	298,023,630	273,680,949
Fiduciary Ratio	1:1	1:1

Offsetting Arrangements

This requirement can be covered by disclosure requirements on offsetting financial assets and financial liabilities (Note 3).

As at December 31, 2024 and 2023, the Company has complied with the foregoing requirements.

19. Other Matter

On April 21, 1986, the Company's assets and funds were sequestered by the Presidential Commission on Good Government (PCGG) and a PCGG controller was assigned. Under this arrangement, the Company continues to operate normally with the PCGG controller reviewing all of its disbursement and other specified transactions. Management believes that no adverse effect on the Company's operations will arise from the sequestration order which management expects to be lifted in due course after the PCGG shall have satisfied itself of the objective of the sequestration.

20. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The Bureau of Internal Revenue has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.