SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

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Company Name: RAROCO INSURANCE BROKERS INC.
Industry Classification: J68200
Company Type: Stock Corporation

Document Information

Document ID: OST10503202381093132
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

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

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Greetings!

SEC Registration No: CS200341908
Company Name: RAROCO INSURANCE BROKERS INC.
Document Code: AFS

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4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

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SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

RAROCO INSURANCE BROKERS, INC.

FINANCIAL STATEMENTS
December 31, 2022 and 2021

and

Report of Independent Auditors

RAROCO INSURANCE BROKERS, INC.

ROOM 608, FERROS BEL AIR TOWER
30 POLARIS ST. BEL-AIR, MAKATI CITY 1209

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RAROCO INSURANCE BROKERS, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The **Board of Directors** reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

PEREZ, SESE, VILLA & CO., the independent auditor appointed by the shareholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON A. ROCO
Chairman of the Board

MARIE DENISE R. DE LEON
President

ANGELINA H. ROCO
Treasurer

BUREAU OF INTERNAL REVENUE
RECEIVED
MAY 02 2023

Signed this 14th day of April 2023.

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the _____________Philippines, this ___________, affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants photograph and signature.

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE AND PLACE ISSUED

PEREZ, SESE, VILLA & CO.
CERTIFIED PUBLIC ACCOUNTANTS

admin@psv-co.com
(02) 8 994-3984
9th Flr. Unit C MARC 2000 Tower
1973 Taft Ave. cor. San Andres St.
Malate, Manila 1004

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

To the Board of Directors
RAROCO INSURANCE BROKERS, INC.
608 Ferros Bel-Air Tower
No. 30 Polaris Street, Makati City

We have audited the financial statements of **RAROCO INSURANCE BROKERS, INC.** for the year ended December 31, 2022 on which we have rendered the attached report dated April 14, 2023.

In compliance with the Revised SRC Rule 68, we are stating that the Company has six (6) shareholders owning one hundred (100) or more shares each of the Company's capital stock as of December 31, 2022, as disclosed in Note 13 of the Financial Statements.

PEREZ, SESE, VILLA & CO.

RECEIVED

MAY 0 2 2023

BY: **MA. ALMA C. SESE**
PARTNER

CPA License No. 0054588
Tax Identification No. 212-955-173-000
PTR No. 0857608, Issued on January 6, 2023, Manila City
SEC Accreditation No:
Partner – 54588-SEC Group B, issued on December 1, 2022,
valid for five (5) years covering the audit of 2022 to 2026 financial statements
Firm – 0222-SEC, Group B, Issued on December 1, 2022,
valid for five (5) years covering the audit of 2022 to 2026 financial statements
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valid for three (3) years until March 4, 2024
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valid for five (5) years covering the audit of 2020 to 2024 financial statements
Firm -0222-IC, Group B, issued on December 3, 2020
valid for five (5) years covering the audit of 2020 to 2024 financial statements
BOA/PRC Cert. of Reg. No. 0222, issued on September 29, 2022 valid until October 12, 2023

Manila, Philippines
April 14, 2023

PEREZ, SESE, VILLA & CO.
CERTIFIED PUBLIC ACCOUNTANTS

admin@psv-co.com
(02) 8 994-3984
9th Flr. Unit C MARC 2000 Tower
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Malate, Manila 1004

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

To the Board of Directors
RAROCO INSURANCE BROKERS, INC.
608 Ferros Bel-Air Tower
No. 30 Polaris Street, Makati City

We have audited the financial statements of **RAROCO INSURANCE BROKERS, INC.** for the year ended December 31, 2022 in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated April 14, 2023. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of Reconciliation of Retained Earnings Available for Dividend Declaration and Schedule of Financial Soundness Indicators, as required by the Securities and Exchange Commission under the Revised Securities Regulation Code Rule 68, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information are the responsibility of management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PEREZ, SESE, VILLA & CO.

BUREAU OF INTERNAL REVENUE
RECEIVED
MAY 02 2023

BY: **MA. ALMA C. SESE**
PARTNER

CPA License No. 0054588
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Manila, Philippines
April 14, 2023

PEREZ, SESE, VILLA & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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1973 Taft Ave. cor. San Andres St.
Malate, Manila 1004

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE INSURANCE COMMSION

To the Board of Directors
RAROCO INSURANCE BROKERS, INC.
608 Ferros Bel-Air Tower
No. 30 Polaris Street, Makati City

We have audited the financial statements of **RAROCO INSURANCE BROKERS, INC.** for the year ended December 31, 2022 in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated April 14, 2023. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented in Note 26 is presented for purpose of complying with the Insurance Commission Circular Letter No. 2021-65 and 69 and is not required part of the basic financial statements. Such information are the responsibility of management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PEREZ, SESE, VILLA & CO.

BUREAU OF INTERNAL REVENUE
RECEIVED
MAY 0 2 2023

Ma. Alma C. Sese

BY: **MA. ALMA C. SESE**
PARTNER

CPA License No. 0054588
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Manila, Philippines
April 14, 2023

admin@psv-co.com
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1973 Taft Ave. cor. San Andres St.
Malate, Manila 1004

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
RAROCO INSURANCE BROKERS, INC.
608 Ferros Bel-Air Tower
No. 30 Polaris Street, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RAROCO INSURANCE BROKERS, INC.** (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 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 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit 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.

PEREZ, SESE, VILLA & CO.

BY: **MA. ALMA C. SESE**
PARTNER

CPA License No. 0054588
Tax Identification No. 212-955-173-000
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Manila, Philippines
April 14, 2023

RAROCO INSURANCE BROKERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	Notes	2022	2021
ASSETS			
Current Assets			
Cash	*4,6*	₱ 1,304,675	₱ 616,551
Commission and other receivables	*4,7*	729,214	552,838
Prepayments and other current assets	*4,8*	2,981,255	2,357,276
Prepaid income tax	*4,5,21*	20,712,938	18,549,312
Total Current Assets		25,728,082	22,075,977
Non-current Assets			
Property and equipment, net	*4,5,9*	2,390,720	1,133,012
Computer software, net	*4,5,10*	-	59,058
Total Non-Current Assets		2,390,720	1,192,070
TOTAL ASSETS		₱ 28,118,802	₱ 23,268,047
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*4,5,11*	₱ 7,470,342	₱ 6,091,094
Loans payable - current	*4,5,12*	3,400,707	3,350,121
Total Current Liabilities		10,871,049	9,441,215
Non-current Liabilities			
Loans payable - non-current	*4,5,12*	1,439,710	-
Total Liabilities		12,310,759	9,441,215
Equity			
Share capital	*4,13*	5,050,000	5,050,000
Retained earnings	*4,13*	10,758,043	8,776,832
Total Equity		15,808,043	13,826,832
TOTAL LIABILITIES AND EQUITY		₱ 28,118,802	₱ 23,268,047

(See accompanying Notes to Financial Statements)

MAY 0 2 2023

RAROCO INSURANCE BROKERS, INC.

STATEMENTS OF COMPREHENSIVE INCOME

For The Years Ended December 31, 2022 and 2021

	Notes	2022	2021
REVENUES	*4,14*	**₱ 25,421,462**	₱ 22,259,611
DIRECT COSTS	*4,16*	**18,054,528**	16,250,130
GROSS INCOME		**7,366,934**	6,009,481
OPERATING EXPENSES	*4,17*	**4,775,298**	4,313,184
NET OPERATING INCOME		**2,591,636**	1,696,297
OTHER INCOME	*4,15*	**128,740**	46,144
INTEREST INCOME	*4,6*	**2,520**	1,100
FINANCE COST	*4,12*	**(142,377)**	(159,854)
NET INCOME BEFORE TAX		**2,580,519**	1,583,687
INCOME TAX EXPENSE	*4,21*		
Current		**599,308**	316,572
Deferred		**-**	-
		599,308	316,572
NET INCOME FOR THE YEAR		**1,981,211**	1,267,115
OTHER COMPREHENSIVE INCOME (LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME		**₱ 1,981,211**	₱ 1,267,115

(See accompanying Notes to Financial Statements)

RAROCO INSURANCE BROKERS, INC.

STATEMENTS OF CHANGES IN EQUITY

For The Years Ended December 31, 2022 and 2021

	Notes	**2022**	2021
SHARE CAPITAL	*4,13*		
Balance at beginning of the year		₱ **5,050,000**	₱ 5,050,000
Issuance		**-**	-
Balance at end of the year		**5,050,000**	5,050,000
RETAINED EARNINGS	*4,13*		
Balance at beginning of the year		**8,776,832**	7,509,717
Net income for the year		**1,981,211**	1,267,115
Balance at end of the year		**10,758,043**	8,776,832
TOTAL EQUITY		₱ **15,808,043**	₱ 13,826,832

(See accompanying Notes to Financial Statements)

RAROCO INSURANCE BROKERS, INC.

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2022 and 2021

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income tax		₱ **2,580,519**	₱ 1,583,687
Adjustment to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	*4,9,10,16,17*	**644,221**	618,497
Interest expense	*4,12*	**142,377**	159,854
Interest income	*4,6*	**(2,520)**	(1,100)
Operating income before changes in working capital		**3,364,597**	2,360,938
Changes in operating assets and liabilities:			
Decrease (Increase) in:			
Commission and other receivables	*4,7*	**(176,376)**	(277,710)
Prepayments and other current assets	*4,8*	**(623,979)**	(1,218,188)
Increase (Decrease) in:			
Trade and other payables	*4,5,11*	**1,379,248**	2,478,786
Retirement benefit liability	*4,19*	**-**	(492,528)
Cash provided by operation		**3,943,490**	2,851,298
Income tax paid	*4,21*	**(2,762,934)**	(2,225,136)
Interest received	*4,6*	**2,520**	1,100
Interest paid	*4,12*	**(142,377)**	(159,854)
Net cash provided by operating activities		**1,040,699**	467,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*4,5,9*	**(1,842,871)**	(183,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan	*4,12*	**1,844,000**	-
Payments of loan	*4,12*	**(353,704)**	(837,421)
Net cash provided by (used in) financing activities activities		**1,490,296**	(837,421)
NET INCREASE (DECREASE) IN CASH		**688,124**	(553,464)
CASH AT BEGINNING OF YEAR		**616,551**	1,170,015
CASH AT END OF YEAR		₱ **1,304,675**	₱ 616,551

(See accompanying Notes to Financial Statements)

RAROCO INSURANCE BROKERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - GENERAL INFORMATION

RAROCO INSURANCE BROKERS, INC. (the Company) is a corporation registered with the Philippine Securities and Exchange Commission under registration number CS200341908 dated December 1, 2003. The Company is established primarily to engage in business as insurance broker.

The Company's registered office, which is also its principal place of business, is located at 608 Ferros Bel-Air Tower, No. 30 Polaris Street, Makati City.

Approval of the Financial Statement

The financial statements of the Company as of and for the year ended December 31, 2022 were approved and authorized for issue by the Board of Directors on April 14, 2023.

NOTE 2 - BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standard (PFRS) issued by the Philippine Financial Reporting Standards Council. They are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

Basis of Measurement

The financial statements have been prepared on historical cost basis, unless stated otherwise.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2022.

Unless otherwise indicated, the adoption of the new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions resulting from COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

  Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022.

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS.

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

  - Amendment to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removed the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, *Fair Value Measurement.*

<u>New and Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted</u>

Relevant new and amended PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

  PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)" until December 31, 2023.

- PIC Q&A 2018-12-E, *Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

  On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E" until December 31, 2023.

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

- PFRS 17, *Insurance Contracts*– This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation,* which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information*– The amendment adds a transition option for a "classification overlay" to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS and PIC issuances 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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial assets largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL.

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2022 and 2021, the Company does not have financial assets or liabilities classified as FVPL.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As at December 31, 2022 and 2021, the Company's cash, and commission and other receivables are classified under this category. (Notes 6 and 7)

Financial Assets at FVOCI.

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI as long as these are not held for trading purposes.

After initial recognition, Financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while credit losses on debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Company does not have financial assets classified as FVOCI.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2022 and 2021, the Company's trade and other payables (except statutory payables) and loans payable accounts are classified under this category. (Notes 11 and 12)

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI shall be recognize in profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For commission and other receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and 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 derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset 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.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Prepayments and Other Current Asset

Prepayments represent advance payments insurance which the Company expects to consume within one year. Other current asset includes creditable withholding taxes and prepaid income tax. Prepayments and other current asset is stated in the statement of financial position at cost less any portion that has already been consumed or that has already expired.

Property and Equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Intangible Assets

Intangible asset represents purchased computer software. This is initially measured at cost and is presented in the statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Computer software is amortized over its estimated useful life of three (3) years using the straight-line method. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Impairment of Non- Financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

Loans payable

Loans payable account represents borrowed funds from various financial institutions and shareholders.

Loans payable is classified as current liability unless the Company has an unconditional right to defer settlement of the liability beyond 12 months from the reporting date.

Share Capital

Share capital represents the total par value of the ordinary shares issued.

Equity instruments are measured at the fair value of the cash or other consideration received or receivable, net of the direct costs of issuing the equity instruments.

The difference between the consideration received and the par value of the shares issued is credited to share premium.

Retained Earnings

Retained earnings include income earned in current and prior periods net of any dividend declaration, effects of changes in accounting policy and prior period adjustments.

Revenue

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable excluding discounts, returns and sales taxes.

Revenue is recognized either at a point in time or over a period of time.

Revenue is recognized as follows:

Commission Income

Revenue is recognized at a point in time which coincide with the policy's effectivity date, at which point control over the services provided by the Company has transferred to the client and the client has accepted the services.

Finance income

Finance income comprises interest income on bank deposits. Interest income is recognized in profit and loss as it accrues, using the effective interest method.

Other income

Other income is recognized when earned.

Expenses

Expenses are decreases in economic benefits in the form of decreases in assets or increase in liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expenses are incurred.

Direct costs

Direct costs are recognized in profit or loss in the period the services have been rendered.

Operating expense

Operating expenses are cost attributable to general & administrative expenses other business activities of the Company. This includes salaries and wages, retirement benefit, rent expense and other costs that cannot be associated directly to the services rendered.

Borrowing costs

Borrowing costs include interest and other charges related to borrowing arrangements.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Income Tax

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Employee Benefits

Short-term benefits

Short-term benefits given by the Company to its employees include salaries and wages, compensated absences, 13th month pay, employer share contributions and other de minimis benefits, among others.

These are recognized as expense in the period the employees render services to the Company.

Retirement Benefits

The Company does not have a formal retirement benefit plan. However, the Company provides retirement benefits in compliance with RA 7641. The retirement benefit liability recognized in the Company's statements of financial position represents the actual amount due to employees as of the end of the reporting dates.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Leases

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Company assesses whether the contract meets three key evaluations which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the lessee;

- the lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the lessee has the right to direct the use of the identified asset throughout the period of use. The lessee assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Company as Lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed), variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability is increased for interest incurred and reduced for lease payments made.

The right-of-use asset is initially measured at the amount of lease liability adjusted for any initial direct costs incurred by the lessee, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Provisions and contingencies

Provisions are recognized only when the Company has a present obligation as a result of past event and it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

Changes in accounting policies, change in accounting estimates and correction of prior period errors

The Company applies changes in accounting policy if the change is required by the accounting standards or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are accounted for retrospectively.

Changes in accounting estimates is recognized prospectively by reflecting it in the profit and loss in the period of the change if the change affects that period only or the period of the change and future periods if the change affects both.

Prior period errors are omissions from, and misstatements in, the Company's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Company corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Subsequent events

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgment

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

Assessment of Impairment of Nonfinancial Assets

The Company determines whether there are indicators of impairment of the Company's non-financial assets. Indicators of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss was recognized in the Company's nonfinancial statements in either 2022 or 2021.

Estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Estimating useful lives of property and equipment

The Company estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating the property and equipment:

Description	**Useful Lives**
Leasehold improvement	5 years
Transportation equipment	5 years
Furniture and fixtures	3 years
Office equipment	3 years

NOTE 6 - CASH

This account consists of:

		2022		2021
Petty cash fund	₱	**8,000**	₱	8,000
Cash in bank		**1,296,675**		608,551
	₱	**1,304,675**	₱	616,551

Cash in bank generally earns interest at rates based on daily bank deposit rates. Interest income recognized in the Statements of Comprehensive Income amounted to ₱2,520 and ₱1,100 in 2022 and 2021, respectively.

NOTE 7 - COMMISSION AND OTHER RECEIVABLES

This account consists of:

		2022		2021
Commission receivables	₱	**40,649**	₱	41,794
Advances to employees		**479,084**		253,125
Other receivable		**209,481**		257,919
	₱	**729,214**	₱	552,838

The average credit term on commission receivables is 60-90 days. No interest is charged on late payment.

Advances to employees pertains to interest bearing salary loans payable through salary deduction for a period of six months to one year. The interest rate on loans ranges from 3% per month on both years. Interest income arising from salary loans is presented as part of other income in the statements of comprehensive income. This amounts to ₱128,740 and ₱46,144 for 2022 and 2021, respectively (Note 15).

As at December 31, 2022 and 2021, management believes that there are no expected credit losses in relation to these financial assets, accordingly, no loss allowance was recognized for the year.

NOTE 8 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

		2022		2021
Creditable withholding tax	₱	**1,998,604**	₱	1,322,636
Prepaid expenses		**926,651**		1,008,640
Security deposit (Note 20)		**56,000**		26,000
	₱	**2,981,255**	₱	2,357,276

Creditable withholding tax pertains to unapplied creditable withholding tax from income payment which are applicable as income tax credit to the Company's income tax liability. In 2022, the Company impaired unsupported creditable withholding tax amounting to ₱299,021.

Prepaid expenses pertain to unamortized portion of insurance and other company expenses to be realized on the next accounting period.

Security deposits are made for the faithful performance of the provisions of the lease agreements and shall cover possible damages to the leased premises. These are refundable at the end of the service agreement. (Note 20)

NOTE 9 - PROPERTY AND EQUIPMENT, NET

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of property and equipment is shown below:

2022

	Transportation Equipment	Office Equipment	Leasehold Improvement	Furniture & Fixtures	Total
Costs					
Beginning	₱ 3,667,007	₱ 2,611,556	₱ 937,867	₱ 545,227	₱ 7,761,657
Additions	1,752,900	54,174	-	35,797	1,842,871
Disposal	-	-	-	-	-
	5,419,907	2,665,730	937,867	581,024	9,604,528
Accumulated depreciation					
Beginning	2,817,968	2,370,726	894,724	545,227	6,628,645
Depreciation	457,882	84,943	36,980	5,358	585,163
Disposal	-	-	-	-	-
	3,275,850	2,455,669	931,704	550,585	7,213,808
Carrying amount-December 31, 2021	₱ 849,039	₱ 240,830	₱ 43,143	₱ -	₱ 1,133,012
Carrying amount-December 31, 2022	**₱ 2,144,057**	**₱ 210,061**	**₱ 6,163**	**₱ 30,439**	**₱ 2,390,720**

2021

	Transportation Equipment	Office Equipment	Leasehold Improvement	Furniture & Fixtures	Total
Costs					
Beginning	₱ 3,667,007	₱ 2,428,105	₱ 937,867	₱ 545,227	₱ 7,578,206
Additions	-	183,451	-	-	183,451
Disposal	-	-	-	-	-
	3,667,007	2,611,556	937,867	545,227	7,761,657
Accumulated depreciation					
Beginning	2,409,835	2,274,744	857,744	545,227	6,628,645

Depreciation	408,133	95,982	36,980	-	585,163
Disposal	-	-	-	-	-
	2,817,968	2,370,726	894,724	545,227	6,628,645
Carrying amount-December 31, 2020	₱ 1,257,172	₱ 153,361	₱ 80,123	₱ -	₱ 1,490,656
Carrying amount-December 31, 2021	₱ 849,039	₱ 240,830	₱ 43,143	₱ -	₱ 1,133,012

The Company had not entered into contractual commitments for the acquisition of property and equipment as at December 31, 2022 and 2021.

The amount of depreciation is allocated and presented in the statements of comprehensive income under the following accounts (Notes 16 and 17):

	2022	2021
Direct Costs	₱ **474,721**	₱ 417,620
Operating Expenses	**110,442**	123,475
	₱ **585,163**	₱ 541,095

The Company has pledged its transportation equipment having a carrying amount of ₱2,144,057 and ₱849,039 as at December 31, 2022 and 2021, respectively, to secure bank loans (Note 12).

NOTE 10 - COMPUTER SOFTWARE, NET

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of computer software is shown below:

	2022	2021
Cost		
January 1	₱ **278,016**	₱ 278,016
Additions	**-**	-
December 31	**278,016**	278,016
Accumulated amortization		
January 1	**218,958**	141,556
Amortization expense	**59,058**	77,402
December 31	**278,016**	218,958
Carrying amount, December 31	₱ **-**	₱ 59,058

NOTE 11 - TRADE AND OTHER PAYABLES

This account consists of:

	2022	2021
Trade payables	₱ **6,880,834**	₱ 5,841,964
Statutory payables		
Withholding tax payable	**253,517**	138,459
SSS, PHIC and HDMF payables	**216,643**	106,395
VAT payable	**119,348**	4,276
	₱ **7,470,342**	₱ 6,091,094

The payment term on purchases of certain goods and services from suppliers range from 60 – 90 days and do not bear interest. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Statutory payables pertain to statutory obligation to government agencies such as Bureau of Internal Revenue, Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

NOTE 12 - LOANS PAYABLE

Outstanding balances of the Company's loans payable are summarized as follows:

		2022		2021
Current				
Bank loans	₱	877,332	₱	826,746
Personal loans		2,523,375		2,523,375
		3,400,707		3,350,121
Non-current				
Bank loans		1,439,710		-
Total	₱	4,840,417	₱	3,350,121

Bank Loans

This represents peso-denominated bank loans amounting to ₱2,317,042 and ₱826,746 as at December 31, 2022 and 2021, respectively and bears annual interest rates ranging from 6% to 9.68%. The loans are secured by a shareholder's property and the Company's transportation equipment with a carrying amounts of ₱2,144,057and ₱849,039 as at December 31, 2022 and 2021 (see Note 9). The terms of the loans range from 3 to 5 years.

Personal Loans

This represents personal loans from shareholder amounting to ₱2,523,375 as at December 31, 2022 and 2021. These loans are unsecured and non-interest bearing with no fixed repayments term. (See Note 22)

Movement of loans payable is as follows:

		2022		2021
Beginning balance	₱	3,350,121	₱	4,187,542
Proceeds from additional loan		1,844,000		-
Payments		(353,704)		(837,421)
Ending balance	₱	4,840,417	₱	3,350,121

Total interest expense charged to operation, presented under finance cost in the statements of comprehensive income from these loans amounted to ₱142,377 and ₱159,854, in 2022 and 2021, respectively.

NOTE 13 - EQUITY

Capital Stock

The Company is authorized to issue one hundred twenty thousand (120,000) ordinary shares with a par value of one hundred peso (₱ 100) per share.

As at December 31, 2022 and 2021, the Company's total subscribed and issued and outstanding capital stock is owned by six (6) shareholders. All shareholders owned more than one hundred (100) shares.

A reconciliation of the outstanding share capital at the beginning and end of 2022 and 2021 is shown below:

2022

	Number of Shares		**Amount**
Outstanding 12/31/2021	**50,500**	**₱**	**5,050,000**
Issuance	-		-
Reacquisition	-		-
Outstanding 12/31/2022	**50,500**	**₱**	**5,050,000**

2021

	Number of Shares		Amount
Outstanding 12/31/2020	50,500	₱	5,050,000
Issuance	-		-
Reacquisition	-		-
Outstanding 12/31/2021	50,500	₱	5,050,000

Retained Earnings

Excess Unappropriated Retained Earnings over Paid-up Capital

Pursuant to Section 43 of the Corporation Code of the Philippines, the "Stock Corporation" are prohibited from retained surplus in excess of one hundred percent (100%) of its paid-up capital, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; (3) when it can be clearly shown that such retention is necessary under special reserve for probable contingencies".

As of December 31, 2022, the Company's Unappropriated Retained Earnings amounting to ₱10,758,043 exceeds its share capital by ₱5,708,043.

NOTE 14 - REVENUES

Details of the Company's revenues are as follows:

		2022		2021
Commission income	₱	24,750,522	₱	21,590,929
Administrative fee		670,940		668,682
	₱	25,421,462	₱	22,259,611

Administrative fee are charges to Victory Christian Fellowship and delivery charges to sub-agents.

NOTE 15 - OTHER INCOME

The Company's other income pertains to interest earned on the salary loans. This amount to ₱128,740 and ₱46,144 in 2022 and 2021, respectively. (Note 7)

NOTE 16 - DIRECT COSTS

Details of the Company's direct costs are as follows:

		2022		2021
Salaries, wages, and benefits	₱	8,047,341	₱	7,425,995
Professional fees		2,517,706		2,678,292
Commission expense		2,204,033		2,207,368
Insurance expense		1,349,762		973,995
Communications, light, and water		691,632		634,381
SSS, PHIC and HDMF		539,692		463,831
Depreciation expense (Note 9)		474,721		417,620
Rent expense (Note 20)		383,328		383,328
Dues and subscription		313,455		290,581
Marketing expenses		241,180		199,222
Repair and maintenance		197,314		177,071
Transportation and travel		141,067		93,657
Office supplies		112,070		83,822
Representation expense		77,253		31,940
Taxes and licenses		75,555		35,780
Meetings and conferences		-		9,000
Miscellaneous expense		688,419		144,247
	₱	18,054,528	₱	16,250,130

NOTE 17 - OPERATING EXPENSES

Details of the Company's operating expenses are as follows:

		2022		2021
Salaries, wages, and benefits	₱	2,441,483	₱	2,020,009
Impairment loss (Note 8)		299,021		-
Taxes and licenses		265,226		326,589
Rent expense (Note 20)		339,823		278,990
Communications, light and water		286,206		243,900
Professional fees		125,856		213,715

Insurance expense		**149,733**		124,846
Depreciation expense (Note 9)		**110,442**		123,475
SSS, PHIC and HDMF		**136,956**		117,939
Fines and penalties		**118,890**		-
Dues and subscription		**105,594**		96,565
Commission expense		**89,532**		65,225
Amortization expense		**59,058**		77,402
Office supplies		**46,909**		62,947
Transportation and travel		**3,441**		1,634
Repair and maintenance		**1,870**		-
Representation expense		**451**		70,400
Marketing expenses		**-**		12,550
Retirement benefits		**-**		445,584
Miscellaneous expense		**194,807**		31,414
	₱	**4,775,298**	₱	4,313,184

NOTE 18 - DEPRECIATION, EMPLOYEE BENEFITS, AND RENT

2022

		Direct Costs		**Operating Expenses**		**Total**
Depreciation	**₱**	**474,721**	**₱**	**110,442**	**₱**	**585,163**
Employee benefits*		**8,587,033**		**2,578,439**		**11,165,472**
Rent		**383,328**		**339,823**		**723,151**

**Employee benefits includes compensation and other employee benefits, statutory contributions, and retirement benefit.*

2021

		Direct Costs		Operating Expenses		Total
Depreciation	₱	417,620	₱	123,475	₱	541,095
Employee benefits*		7,889,826		2,583,532		10,473,358
Rent		383,328		278,990		662,318

**Employee benefits includes compensation and other employee benefits, statutory contributions, and retirement benefit*

NOTE 19 - EMPLOYEE'S COMPENSATION AND BENEFITS

Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below (See Note 16, 17 and 18).

		2022		2021
Salaries, wages, benefits and statutory contributions	**₱**	**11,165,472**	₱	10,027,775
Retirement benefit		**-**		445,584
	₱	**11,165,472**	₱	10,473,358

Retirement Obligation

The Company have no accrued retirement liability of as at December 31, 2022 and 2021, respectively.

Movement of retirement benefit liability follows:

		2022		2021
Balance, January 1	₱	-	₱	492,528
Retirement benefit expense for the year				445,584
Retirement benefits paid		-		(938,112)
Balance, December 31	₱	-	₱	-

NOTE 20 - LEASE AGREEMENTS

The Company entered into lease agreements as lessee covering the Company's office spaces. The Company has determined that all significant risks and rewards of ownership of this property remain with the lessor. The term of the lease agreements is for period of one year and renewable under terms and conditions as may be mutually agreed upon by lessee and lessor.

With the exception of short-term leases, no right-of-use asset and lease liability were recognized in the statement of financial position in relation to the lease agreement.

The lease agreement requires security deposits amounting ₱56,000 and ₱26,000 as at December 31, 2022 and 2021 which is presented under prepayments and other currents assets in the statements of financial position. (Note 8)

Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for short-term lease of office spaces. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating to short-term lease amounted to ₱723,151 and ₱662,318 in 2022 and 2021, respectively. These are presented as rent expense under Direct Costs and Operating Expenses in the 2022 and 2021 statement of comprehensive income (Note 16,17, and18).

NOTE 21 - INCOME TAXES

Income tax expense for the years ended December 31 consists of:

		2022		2021
Current	₱	**599,308**	₱	316,572
Deferred		**-**		-
	₱	**599,308**	₱	316,572

Reconciliation between statutory tax and effective tax follows:

		2022		2021
Income tax at statutory rate	₱	**516,104**	₱	316,737
Tax effect income subject to final tax		**(504)**		(220)
Tax effect of non-deductible interest expense		**126**		55

Tax effect on fines and penalties		23,778		-
Non-deductible impairment loss		59,804		-
Income tax at effective rate	₱	599,308	₱	316,572

Analysis of income tax payable (prepaid income tax) follows:

		2022		2021
Regular Corporate Income Tax:				
Income before tax	₱	2,580,519	₱	1,583,687
Permanent Differences:				
Interest Income Subjected to Final Tax		(2,520)		(1,100)
Interest arbitrage		630		275
Fines and penalties		118,890		-
Impairment loss		299,021		-
Taxable income		2,996,540		1,582,862
Tax rate		20%		20%
	₱	599,308	₱	316,572
Minimum Corporate Income Tax:				
Taxable gross income	₱	7,366,934	₱	6,009,480
Tax rate		1%		1%
	₱	73,669	₱	60,095
Tax due (Higher of RCIT or MCIT)	₱	599,308	₱	316,572
Less: Tax credits				
Prior Year's Excess Credit		(18,549,312)		(16,640,748)
Creditable taxes		(2,762,934)		(2,225,136)
Prepaid income tax	₱	(20,712,938)	₱	(18,549,312)

NOTE 22 - RELATED PARTY TRANSACTIONS

A summary of the transactions and account balances with related parties follows:

2022

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Major Shareholder	Proceeds on Loans	₱ -	₱ 2,523,375	(1)	(2)
	Payment of Loans	-			

2021

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Major Shareholder	Proceeds on Loans	₱ -	₱ 2,523,375	(1)	(2)
	Payment of Loans	-			

(1) *Non-interest bearing, payable in cash, no scheduled repayment terms.*
(2) *Unsecured*

The company obtain loan from its shareholder for working capital requirement. These loans are non-interest bearing, payable in cash and on demand. (Note 12)

Key Management Compensation

No compensation was paid to key management personnel in year 2022 and 2021.

NOTE 23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest Rate Risk

The Company's exposure to risk for changes in interest rates relates primarily to the Company's bank accounts. As at December 31, 2022 and 2021, these amounted to ₱1,296,675 and ₱608,551, respectively (Note 6). The Company's exposure to changes in interest rates is not significant.

Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to credit risk primarily through its cash in banks and commission and other receivables.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from other financial assets of the Company, which comprise cash in banks and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the BOD.

The credit quality of the financial assets is managed by the Company using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts. All of the Company's financial assets are high grade.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	2022	2021
Cash in banks	**₱ 1,296,675**	₱ 608,551
Commission and other receivables	**729,214**	552,838
Security deposit	**56,000**	26,000
	₱ 2,081,889	₱ 1,187,389

Cash excludes cash on hand amounting to ₱8,000 as at December 31, 2022 and 2021.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Commission and Other Receivables

Commission receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses lifetime expected credit loss allowance for all commission receivables. To measure expected credit losses, commission receivables are grouped based on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2022 and December 31, 2021, respectively, and the corresponding historical credit losses experienced within such period. The historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting ability of the customers to settle the receivables.

All receivables as of December 31, 2022 and 2021 were collected before the issuance of the audited financial statement therefore management concluded that no expected credit loss needs to be recognized on its commission receivables for the period.

Advances to employees and other receivables

The amount of ECL is not significant due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonably assured.

(c) Security deposit

The amount of ECL is not significant due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonably assured.

Liquidity Risk

The Company's exposure to liquidity risk is minimal. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans. In addition, the Company regularly evaluates its projected and actual cash flows. Fund raising activities may include bank loans.

The following table presents the maturity profile of the Company's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments.

	December 31, 2022		
	Within 1 Year	**1 to 3 years**	**Total**
Trade payables	₱ 7,470,342	₱ -	₱ 7,470,342
Loans payable	3,555,963	1,731,171	5,287,134
	₱ 11,026,305	₱ 1,731,171	₱ 12,757,476

	December 31, 2021		
	Within 1 Year	1 to 3 years	Total
Trade payables	₱ 6,091,094	₱ -	₱ 6,091,094
Loans payable	3,708,692	-	3,708,692
	₱ 9,799,786	₱ -	₱ 9,799,786

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Company considers its share capital and retained earnings totaling ₱15,808,043 and ₱13,826,832 as at December 31, 2022 and 2021, respectively as its capital employed. The Company maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2022			
			Fair Value		
	Note	**Carrying Amount**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed:					
Cash	**6**	**₱ 1,304,675**	**-**	**₱ 1,304,675**	**-**
Commission and other receivables	**7**	**729,214**	**-**	**729,214**	**-**
Security deposit	**8**	**56,000**	**-**	**56,000**	**-**
		₱ 2,089,889	**-**	**₱ 2,089,889**	**-**
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade payables	**12**	**₱ 7,470,342**	**-**	**₱ 7,470,342**	**-**
Loans payable	**14**	**4,840,417**	**-**	**4,840,417**	**-**
		₱ 12,310,759	**-**	**₱ 12,310,759**	**-**

		2021			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash	6	₱ 616,551	-	₱ 616,551	-
Commission and other receivables	7	552,838	-	552,838	-
Security deposit	8	26,000	-	26,000	-
		₱ 1,195,389	-	₱ 1,195,389	-

		2021			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade payables	11	₱ 5,841,964	-	₱ 5,841,964	-
Loans payable	12	3,350,121	-	3,350,121	-
		₱ 9,192,085	-	₱ 9,192,085	-

NOTE 24 - EFFECT OF COVID 19

The economy is slowly on its way to recovery with the lifting of worldwide restrictions, government programs on continued immunization, and relaxation of health and safety protocols. Now that the economic activities have started to normalize, the Company is optimistic to see positive impact on its financial condition and results of operations.

NOTE 25 - RECONCILIATION OF LIABLITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

2022

		Loans Payable
Balance as of January 1, 2021	**₱**	**3,350,121**
Cash flow from Financing Activities:		
Additional Borrowing		**1,844,000**
Repayment of Borrowing		**(353,704)**
Balance, December 31, 2022	**₱**	**4,840,417**

2021

		Loans Payable
Balance as of January 1, 2021	₱	4,187,542
Cash flow from Financing Activities:		
Additional Borrowing		-
Repayment of Borrowing		(837,421)
Balance, December 31, 2021	₱	3,350,121

NOTE 26 - SUPPLEMENTARY INFORMATION REQUIRED BY INSURANCE COMMISSION

Presented below is the supplementary information which is required by the Insurance Commission under Insurance Commission Circular Letter No. 2021 – 65 and 69 to disclosed as part of the notes to financial statements or a separate schedule. This supplementary information is not a required disclosure under PFRS.

(a) Clients Money

The Company does not have clients' money account. The Company uses a direct remittance agreement. This is a type of transaction wherein a client/insurer/cedants remits the premium payments directly to the insurance/reinsurance company.

(b) Net Worth Compliance

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

As of December 31, 2022, the Company's net worth is compliant with minimum net worth requirement set forth by the Insurance Commission.

(c) Fiduciary Ratio

The Company is not required to comply with the fiduciary ratio requirements per Insurance Commission Circular Letter No. 2021-65. The Company uses a direct remittance agreement. This is a type of transaction wherein a client/insurer/cedants remits the premium payments directly to the insurance/reinsurance company.

(d) Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

The Company uses direct remittance agreement, there is no offsetting of financial assets and financial liabilities in 2022 and 2021.

NOTE 27 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 and 34-2020 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding pages.

(a) Output VAT

	Tax Base	Amount
Vatable sales	₱ 14,022,065	₱ 1,682,648
Zero-rated sales	12,459,262	-
Total	₱ 26,481,327	₱ 1,682,648

The Company's zero-rated sales were determined pursuant to Section 106 of the 1997 National Internal Revenue Code.

The tax bases are included as part of Revenues in the 2022 statements of comprehensive income. The tax bases for are based on the Company's gross receipts for the year, hence, may not be the same as the amounts of revenues reported in the 2022 statement of comprehensive income.

The outstanding vat payable amounting to ₱119,348 as of December 31, 2022 is presented as part of trade and other payables account in the statements of financial position (see Note 11).

(b) Input VAT

		Amount
Balance at beginning of year	₱	-
Domestic purchases of services		257,457
Applied against output VAT		(257,457)
Total	₱	-

(c) Taxes and Licenses for 2022

Taxes and licenses for 2022 consist of:

		Amount
Local taxes	₱	215,115
Insurance commission license fee		69,150
Real property tax		56,016
Business permit		-
Annual registration fee		500
Total	₱	340,781

The amounts of taxes and licenses shown above were presented in the statements of comprehensive income as follows:

		Amount
Direct costs (Note 16)	₱	75,555
Operating expenses (Note 17)		265,226
Total	₱	340,781

(d) Withholding Taxes for 2022

Withholding taxes paid and accrued during the year is as follows:

		Amount
Withholding tax on compensation	₱	687,855
Withholding tax at source (expanded)		532,823
Total	₱	1,220,678

(e) Tax Assessments and Cases

The Company did not receive any Letter of Authority or Tax Verification Notice from the Bureau of Internal Revenue (BIR) during the period. It has no pending examination of prior years.

(f) Related party transaction

The Company is not covered under Section 2 of the Revenue Regulation 34-2020 requirements and procedures for related party transaction, including filing of BIR Form 1709, Information Return on its Transactions with Related Party.

RAROCO INSURANCE BROKERS, INC.
SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE REVISED SRC RULE 68
FINANCIAL SOUNDNESS INDICATORS
For The Years Ended December 31, 2022 and 2021

Current Ratio

	2022	2021
Total current assets	₱ **25,728,082**	₱ 22,075,977
Total current liabilities	**10,871,049**	9,441,215
Current ratio	**2.367:1**	2.338:1

Quick Ratio

	2022	2021
Total liquid asset	₱ **2,033,889**	₱ 1,169,389
Total current liabilities	**10,871,049**	9,441,215
Liquidity ratio	**0.187:1**	0.124:1

Working Capital to Total Asset

	2022	2021
Working capital	₱ **14,857,033**	₱ 12,634,762
Total assets	**28,118,802**	23,268,047
Working capital ratio	**0.528:1**	0.543:1

Solvency Ratio

	2022	2021
Total assets	₱ **28,118,802**	₱ 23,268,047
Total liabilities	**12,310,759**	9,441,215
Solvency ratio	**2.284:1**	2.465:1

Debt-to-equity Ratio

	2022	2021
Total liabilities	₱ **12,310,759**	₱ 9,441,215
Total equity	**15,808,043**	13,826,832
Debt-to-equity ratio	**0.779:1**	0.683:1

RAROCO INSURANCE BROKERS, INC.
SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE REVISED SRC RULE 68
FINANCIAL SOUNDNESS INDICATORS
For The Years Ended December 31, 2022 and 2021

Asset-to-equity Ratio

		2022		2021
Total assets	₱	**28,118,802**	₱	23,268,047
Total equity		**15,808,043**		13,826,832
Asset to equity ratio		**1.779:1**		1.683:1

Interest Rate Coverage Ratio

		2022		2021
Pre-tax profit (loss) before interest	₱	**2,722,896**	₱	1,743,541
Interest expense		**142,377**		159,854
Interest rate ratio		**19.125:1**		10.907:1

Profitability Ratio

		2022		2021
Net profit (loss) after tax	₱	**1,981,211**	₱	1,267,115
Total equity		**15,808,043**		13,826,832
		0.125:1		0.092:1

a.) Return on asset ratio

		2022		2021
Net income (loss) after tax	₱	**1,981,211**	₱	1,267,115
Average assets		**25,693,425**		22,060,071
		0.077:1		0.057:1

b.) Return on equity ratio

		2022		2021
Net profit (loss) after tax	₱	**1,981,211**	₱	1,267,115
Average equity		**14,817,438**		13,193,275
		0.134:1		0.096:1

RAROCO INSURANCE BROKERS, INC.
SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE REVISED SRC RULE 68
FINANCIAL SOUNDNESS INDICATORS
For The Years Ended December 31, 2022 and 2021

c.) *Gross Profit Margin Ratio*

		2022		2021
Net profit (loss) before tax	₱	**2,580,519**	₱	1,583,687
Gross profit		**7,366,934**		6,009,481
		0.35:1		0.264:1

d.) *Profit margin*

		2022		2021
Net profit (loss) after tax	₱	**1,981,211**	₱	1,267,115
Revenue		**25,421,462**		22,259,611
		0.078:1		0.057:1

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2022

RAROCO INSURANCE BROKERS, INC.
608 Ferros Bel-Air Tower, No. 30 Polaris Street, Makati City

Unappropriated Retained Earnings, ***as adjusted to available for dividend distribution, beginning of the year***		**₱ 8,776,832**
Add: Net income actually earned/realized during the period		**1,981,211**
Less: Non-actual/unrealized income net of tax		
• Equity in net income of associate/joint venture	-	
• Unrealized foreign exchange gain - (after tax except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	-	
• Fair value adjustment (mark-to-market gains)	-	
• Fair value adjustment of Investment Property resulting to gain	-	
• Adjustment due to deviation from PFRS-gain	-	
• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	-	
Add: Non-actual losses		
• Depreciation or revaluation increment (after tax)	-	
• Adjustment due to deviattion from PFRS/GAAP - loss	-	
• Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	-
Net income actually earned during the period		**₱ 1,981,211**
Add (Less):		
• Dividend declarations during the period	-	
• Appropriations of Retained Earnings during the period	-	
• Reversals of appropriations	-	
• Effects of prior period adjustments	-	
• Treasury Shares	-	
Sub-total	-	
TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION		**₱ 10,758,043**