



# 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



The following document has been received:

**Receiving:** ARIEL FETALVO

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## Company Information

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**SEC Registration No.:** 0000146205

**Company Name:** MEGA RE INTERNATIONAL, INC.

**Industry Classification:** J68200

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST10510202381127486

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2022

**Submission Type:** Annual

**Remarks:** None

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

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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## COMPANY NAME

M	E	G	A	R	E	I	N	T	E	R	N	A	T	I	O	N	A	L	I	N	C				

## PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

R	O	O	M	9	0	6	C	I	T	Y	L	A	N	D	10	T	O	W	E	R	I	I		
6	8	1	7	A	Y	A	L	A	A	V	E	N	U	E	S	A	L	C	E	D	O			
V	I	L	L	A	G	E	M	A	K	A	T	I	C	I	T	Y								

Form Type

A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

**marlene@megare.net.ph**

Company's Telephone Number

**(02) 8812 5746**

Mobile Number

**(63) 9326540511**

No. of Stockholders

**Nine (9)**

Annual Meeting (Month / Day)

**March 10**

Fiscal Year (Month / Day)

**December 31**

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

**MARLENE D. GONZALES**

Email Address

**marlene@megare.net.ph**

Telephone Number/s

**(02) 8812 5746**

Mobile Number

**(63) 9326540511**

## CONTACT PERSON'S ADDRESS

**7216 M. Ocampo Street, Pio del Pilar, Makati City 1230**

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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**MEGA RE INTERNATIONAL, INC.**

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Audited Financial Statements

31 December 2022

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **MEGA RE INTERNATIONAL, 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 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 or members.

**I.T. SABADO & ASSOCIATES, CPAs**, 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.



**LINA CORTEZ LAXAMANA**  
Chairman of the Board



**MARIA GEMMA I. SANTOS**  
Chief Operations Officer



**JANETTE M. GALESTRE**  
Chief Financial Officer

Signed this 12<sup>th</sup> day of April 2023.



**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR  
ANNUAL INCOME TAX RETURN**

The Management of **MEGA RE INTERNATIONAL, INC.** is responsible for all information and representations contained in the Annual Income Tax for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MEGA RE INTERNATIONAL, INC.**, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the Income Tax Return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **MEGA RE INTERNATIONAL, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



**LINA CORTEZ LAXAMANA**  
Chairman of the Board



ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

Before me, a Notary Public for and in Makati City this 24 APR 2023 day of \_\_\_\_\_ 2023  
personally appeared:

NAME	VALID I.D.
JANETTE M. GALLESTRE	SSS ID No. 33-2907710-6
MARIA GEMMA I. SANTOS	SSS ID No. 33-5031283-0
LINA CORTEZ LAXAMANA	PRC ID No. 0076792

Known to me to be the same person who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they present.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No.: 244  
Page No.: 80  
Book No.: 260  
Series of 2023.

**ATTY. JOHN DOMENGO A. PONCE, JR.**  
 NOTARY PUBLIC  
 APPOINTED by M-668 / MAKATI CITY  
 UNTIL December 31, 2023  
 PTR No. 956802 / 01-03-2023 / MAKATI CITY  
 LIP No. 700089-01-05-2023 / RIZAL  
 MCLE COMPLIANCE No. VI-0027026 / 05-28-2019  
 ROLL NO. 36452 / TRN No. 106-099-102-000  
 Unit G-14 Makati Executive Tower 3  
 Sen. Gil Puyat Avenue, Pio del Pilar,  
 Makati City, Metro Manila

APR 26 2023

BUREAU OF INTERNAL REVENUE  
 REVENUE REGION NO. 8A - MAKATI  
 Revenue District Office No. 50  
 South Makati

**RECEIVED**

INITIAL: \_\_\_\_\_ DATE: \_\_\_\_\_  
 REG. NAME: NARIZAN M. MOCTAR REG. CODE: EPL-1

# I.T. SABADO & ASSOCIATES

## Certified Public Accountants

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
**MEGA RE INTERNATIONAL, INC.**  
Room 906 Cityland 10 Tower II, 6817 Ayala Ave.  
Salcedo Village, Makati City

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Mega Re International, Inc., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including 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 (PFRSs).

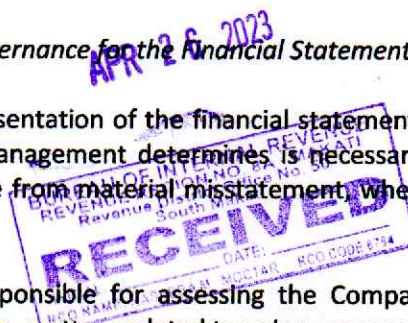
#### Basis for Opinion

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

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

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

In preparing the financial 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 operation, or has no realistic alternative but to do so.



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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedure 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 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 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 the Supplementary Information Required Under Revenue Regulations No. 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Notes to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Mega Re International, Inc. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**I.T. SABADO & ASSOCIATES, CPAs**

PRC/BOA Registration No. 1324

Until April 13, 2024

BIR Accreditation No. 07-000400-003-2020

Until May 26, 2023

SEC Accreditation No. 1324-IC (Group A)

Until 2025 audit period

By:



**ISAGANI Y. SABADO**

Managing Partner

CPA Reg. No. 078824

Until July 10, 2025

SEC Accreditation No. 78824-IC (Group A)

TIN 145-707-022

PTR No. 4234812

January 31, 2023

Quezon City

April 12, 2023



**MEGA RE INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
For the year ended December 31, 2022  
(With comparative figures for 2021)

<b>ASSETS</b>					
	Notes	<b>2022</b>		2021	
Cash and cash equivalents	4	P	42,954,653	P	31,625,999
Insurance balances receivable	5		479,420,253		224,080,392
Accounts and other receivables	6		-		425,850
Financial ssets at fair value through other comprehensive income	7		738,415		910,782
Investment in stocks	8		150,000		150,000
Property and equipment - net	9		1,926,417		2,122,509
Other assets	10		159,351		143,804
<b>TOTAL ASSETS</b>		<b>P</b>	<b>525,349,089</b>	<b>P</b>	<b>259,459,336</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Insurance balances payable	11	P	477,810,836	P	229,583,309
Loan payable			-		176,605
Income tax payable			1,883,886		779,909
Accounts and other payables	12		8,991,799		1,584,308
<b>Total Liabilities</b>			<b>488,686,521</b>		<b>232,124,131</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	13		10,000,000		10,000,000
Fluctuation reserve on stocks	14		288,415		460,782
Accumulated profits	15		26,374,153		16,874,423
<b>Total Shareholders' Equity</b>			<b>36,662,568</b>		<b>27,335,205</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>P</b>	<b>525,349,089</b>	<b>P</b>	<b>259,459,336</b>

See accompanying Notes to Financial Statements.



**MEGA RE INTERNATIONAL, INC.**  
**INCOME STATEMENT**  
For the year ended December 31, 2022  
(With comparative figures for 2021)

	Notes	2022		2021
<b>REVENUE</b>		<b>P 27,845,294</b>	P	16,552,816
<b>DIRECT COSTS</b>	16	<b>1,512,692</b>		1,105,628
<b>GROSS INCOME</b>		<b>26,332,602</b>		15,447,188
<b>INVESTMENT AND OTHER INCOME</b>	17	<b>1,658,439</b>		1,009,069
<b>TOTAL INCOME</b>		<b>27,991,041</b>		16,456,257
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	18	<b>14,848,416</b>		10,296,312
<b>INCOME BEFORE INCOME TAX</b>		<b>13,142,625</b>		6,159,945
<b>INCOME TAX EXPENSE</b>	19	<b>3,279,079</b>		1,534,780
<b>NET INCOME</b>		<b>P 9,863,546</b>	P	4,625,165

See accompanying Notes to Financial Statements.



**MEGA RE INTERNATIONAL, INC.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended December 31, 2022  
(With comparative figures for 2021)

	Notes	<b>2022</b>		2021
<b>Net Income</b>		<b>P</b>	9,863,546	<b>P</b> 4,625,165
<b>Other Comprehensive Income:</b>				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	7, 21		(172,367)	(108,749)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P</b>	9,691,179	<b>P</b> 4,516,416

See accompanying Notes to Financial Statements.

APR 26 2023



**MEGA RE INTERNATIONAL, INC.**  
**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2022

(With comparative figures for 2021)

	Notes	2022	2021
<b>SHARE CAPITAL</b>			
	13		
Balance at beginning of year		P 10,000,000	10,000,000
Issued during the year		-	-
<b>Balance at end of year</b>		<b>10,000,000</b>	<b>10,000,000</b>
<b>FLUCTUATION RESERVE ON STOCKS</b>			
	15		
Balance at beginning of year		460,782	569,531
Increase (Decrease) during the year		(172,367)	(108,749)
<b>Balance at end of year</b>		<b>288,415</b>	<b>460,782</b>
<b>ACCUMULATED PROFITS</b>			
	15		
Balance at beginning of year		16,874,423	12,249,258
Prior period adjustments		(363,816)	-
Net income for the year		9,863,546	4,625,165
<b>Balance at end of year</b>		<b>26,374,153</b>	<b>16,874,423</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>P 36,662,568</b>	<b>27,335,205</b>

See accompanying Notes to Financial Statements.



**MEGA RE INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2022  
(With comparative figures for 2021)

	Notes	2022		2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>				
Net income	P	9,863,546	P	4,625,165
Adjustment for :				
Depreciation and amortization	9, 18	291,828		307,460
Prior period adjustments		(363,816)		-
Impairment losses	18	-		3,296,453
<b>OPERATING INCOME (LOSS) BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>				
		<b>9,791,559</b>		<b>8,229,078</b>
Changes in Operating Assets and Liabilities				
Decrease (Increase) in:				
Insurance balances receivable	5	(255,339,861)		(41,976,165)
Accounts and other receivables	6	425,850		(199,338)
Other assets	10	(15,547)		7,605
Increase (Decrease) in:				
Insurance balances payable	11	248,227,527		44,837,750
Accounts and other payables	12	7,407,491		496,425
Cash provided by operations		10,497,019		11,395,355
Income tax paid		1,103,977		374,380
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>11,600,996</b>		<b>11,769,735</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Acquisition of property & equipment	9	(95,737)		(74,919)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(95,737)</b>		<b>(74,919)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>				
Loan payable		(176,605)		(333,936)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>11,328,654</b>		<b>11,360,880</b>
<b>CASH AND CASH EQUIVALENTS AT BEG OF THE YEAR</b>		<b>31,625,999</b>		<b>20,265,119</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	P	<b>42,954,653</b>	P	<b>31,625,999</b>

See accompanying Notes to Financial Statements.

APR 26 2023



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**MEGA RE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

(With comparative figures as at and for the year ended December 31, 2021)  
(All amounts are shown in Philippine Peso unless otherwise stated)

**Note 1 - Organization and operation**

**MEGA RE INTERNATIONAL, INC.** is a domestic corporation registered with the Securities and Exchange Commission on November 16, 1987 under SEC Reg. No. 146205 and primarily engaged in the business of insurance and reinsurance broker, and to act as representative of insurance/reinsurance companies and reinsurance brokers, both domestic and foreign.

The registered address of the Company is at Room 906 Cityland Tower II, 6817 Ayala Avenue, Salcedo Village, Makati City, Philippines.

The accompanying financial statements of the Company were reviewed and authorized for issue by the Board of Directors on April 12, 2023.

**Note 2 - Significant accounting policies**

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) investments that have been measured at fair value. The financial statements are measured in Philippine Peso (P), which is also the Company's functional and presentation currency. All values are rounded off to the nearest peso values, unless otherwise indicated.

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standard (PFRS) issued by the Philippine Financial Reporting Standard Council (PFRSC).

Use of Estimates, Assumptions and Judgments

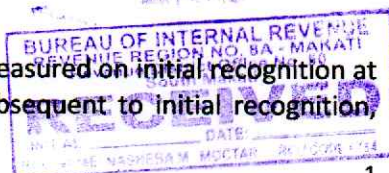
The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period as well as affecting the reported income and expenses for the period. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and are subject to an insignificant risk of changes in value.

Insurance Receivables

Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration for the period of coverage. Subsequent to initial recognition,



insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

## Financial Instruments

### *Date of recognition*

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

### *Initial recognition and subsequent measurement of financial instruments*

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: FVTPL, fair value through other comprehensive income (FVOCI), investment securities at amortized cost and loans and receivables.

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (solely payments of principal and interest (SPPI) test).

### *Determination of Fair Value*

The Company measures financial instrument at fair value at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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



#### *Financial Assets at FVOCI*

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Investment and other income' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Company made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Investment and other income' when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained Earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where 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 satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument a whole amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other 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. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax payable).

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

### Derecognition of Financial Assets and Liabilities

#### *Financial asset*

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

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

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

#### *Financial liability*

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

### Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and any impairment in value. Land is stated at cost less any impairment losses.

The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a

separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of income during the financial period these are incurred.

Depreciation are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Number of Years
Building and Improvement	20-50
Electronic and data processing (EDP) equipment	2-5
Office equipment	5
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

#### Creditable Withholding Taxes (CWTs)

Creditable withholding taxes pertain to the indirect taxes paid by the Company that are withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

#### Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period whether there is an indication that property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are

account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

#### *Other income*

Income from other sources is recognized when earned.

#### Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants.

#### *Expenses*

General and administrative expense, investments and other expense, except for lease agreements, are recognized as expense as they are incurred.

#### Foreign Exchange Transactions

The functional and presentation currency of the Company is the Philippine Peso (=P). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

#### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

##### *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the Company statement of other comprehensive income.

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

#### Events after End of the Reporting Period

Any post period-end events that provide additional information about the Company's position at the end of the reporting period (adjusting event) are reflected in the financial statements. Post period-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

### **Note 3 - Significant accounting estimates and judgments**

The Company's financial statements prepared in accordance with PFRS require management to make

judgments and estimates that effect amounts reported in the financial statements and related notes.

### 3.1 Judgments

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies.

### 3.2 Estimates

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its financial statements:

#### *(a) Useful Life of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In additions, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

#### *(b) Impairment Losses*

Except for intangible assets with indefinite useful lives, PFRS for SMEs requires that an impairment review be performed when certain impairment indicators are present. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

#### **Note 4 - Cash and cash equivalents**

This account consists of:

	2022	2021
Cash on hand and in banks	20,143,619	16,485,661
Time deposits	22,811,033	15,140,338
	<b>42,954,653</b>	<b>31,625,999</b>

Cash in banks earn interest at the respective bank deposit rates. Time deposit are placements made for varying periods of up to three months depending on the immediate cash requirements of the company and earn interest at respective time deposits rates.

**Note 5 - Insurance balances receivable**

This account consists of:

	2022	2021
Due from ceding companies	210,489,469	156,841,519
Due from reinsurers	268,930,784	67,238,873
Total	479,420,253	224,080,392
Less: Allowance for uncollectible accounts	-	-
	<b>479,420,253</b>	<b>224,080,392</b>

The management has determined that the carrying amount of the receivables are the reasonable approximation of their fair values.

**Note 6 - Accounts and other receivables**

This account consists of:

	2022	2021
Other receivables	-	396,500
Advances to officers and employees	-	29,350
	-	<b>425,850</b>

**Note 7 - Financial assets at fair value through other comprehensive income**

The carrying values of financial assets at fair value through other comprehensive income have been determined as follows:

	2022	2021
At January 1	910,782	1,019,531
Additions	-	-
Disposals	-	-
Fair value adjustments	(172,367)	(108,749)
At December 31	<b>738,415</b>	<b>910,782</b>

Fair value adjustment for the year is presented as unrealized gain (loss) on financial assets at fair value through other comprehensive income in the statement of comprehensive income while its accumulated balance is presented as part of equity in the statement of financial position.

**Note 8 - Investment in stocks**

Investment in stocks consists of equity securities which are not quoted in the stock market

**Note 9 - Property and equipment - net**

Details of property and equipment as at December 31, are as follows:

	Land	Office Equipment	Building & Improvement	Furniture & Fixture	Transportation Equipment	Other Equipment	Total
<b>Cost</b>							
At January 1, 2021	1,388,007	1,480,155	5,706,894	252,214	964,286	78,308	9,869,864
Additions	-	72,410	-	-	-	2,509	74,919
Disposals	-	-	-	-	-	-	-
At December 31, 2021	1,388,007	1,552,565	5,706,894	252,214	964,286	80,817	9,944,783
Additions	-	85,692	-	10,045	-	-	95,737
Disposals	-	-	-	-	-	-	-
At December 31, 2022	1,388,007	1,638,257	5,706,894	262,259	964,286	80,817	10,040,520
<b>Accumulated depreciation</b>							
At January 1, 2021	-	1,304,664	5,706,889	216,033	208,929	78,299	7,514,814
Charges	-	102,741	-	11,235	192,857	627	307,460
Disposals	-	-	-	-	-	-	-
At December 31, 2021	-	1,407,405	5,706,889	227,268	401,786	78,926	7,822,274
Charges	-	85,784	-	12,351	192,857	836	291,828
Disposals	-	-	-	-	-	-	-
At December 31, 2022	-	1,493,189	5,706,889	239,619	594,643	79,762	8,114,102
<b>Net book values</b>							
December 31, 2021	1,388,007	145,160	5	24,946	562,500	1,891	2,122,509
December 31, 2022	1,388,007	145,069	5	22,639	369,643	1,055	1,926,417

#### Note 10 - Other assets

This account consists of:

	2022	2021
Prepayments	149,751	134,204
Deposits	9,600	9,600
	<b>159,351</b>	<b>143,804</b>

#### Note 11 - Insurance balances payable

This account consists of:

	2022	2021
Due to reinsurers	212,518,229	168,414,817
Due to ceding companies	265,292,607	61,168,492
	<b>477,810,836</b>	<b>229,583,309</b>



**Note 12 - Accounts and other payables**

This account consists of:

	<b>2022</b>	<b>2021</b>
Accounts payable	8,560,622	1,404,811
Withholding taxes payable	135,241	75,707
VAT payable	244,305	52,159
Deferred output vat	51,631	51,631
	<b>8,991,799</b>	<b>1,584,308</b>

**Note 13 - Share capital**

Details of the Company's share capital are as follows:

	<b>2022</b>		<b>2021</b>	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorized share capital – P100 par value</b>				
Balance at beginning of year	100,000	10,000,000	100,000	10,000,000
Increase during the year	-	-	-	-
<b>Balance at end of year</b>	<b>100,000</b>	<b>10,000,000</b>	<b>100,000</b>	<b>10,000,000</b>
<b>Issued</b>				
Balance at beginning of year	100,000	10,000,000	100,000	10,000,000
Issued during the year	-	-	-	-
<b>Balance at end of year</b>	<b>100,000</b>	<b>10,000,000</b>	<b>100,000</b>	<b>10,000,000</b>

**Note 14 - Fluctuation reserve on stocks**

The following shows the movement in fluctuation reserve on stocks:

	<b>2022</b>	<b>2021</b>
Balance at beginning of year	460,782	569,531
Increase (decrease) in fair value	(172,367)	(108,749)
Adjustments	-	-
<b>Balance at end of year</b>	<b>288,415</b>	<b>460,782</b>

**Note 15 - Accumulated profits*****Prior period adjustments***

Prior period adjustments amounting to P363,816 as of December 31, 2022, pertains to tax deficiency incurred for the year 2020.

**Note 19- Current and deferred taxes**

Income tax expense for the years ended December 31 is composed of:

	2022	2021
Regular corporate income tax	3,263,728	1,526,007
Final tax	15,351	8,773
	<b>3,279,079</b>	<b>1,534,780</b>

The reconciliation of the tax on pretax income (loss) computed at the statutory rate to tax expense is shown below:

	2022	2021
Tax on pretax income	3,285,655	1,539,986
Add (deduct) tax effects of:		
Income subject to lower income tax rate	(3,838)	(2,194)
Nontaxable income	(2,738)	(3,012)
	<b>3,279,079</b>	<b>1,534,780</b>

**Note 20 - Supplementary information required by the Bureau of Internal Revenue**

On October 10, 2007, Revenue Regulations (R.R.) No 12 was signed, amending certain provisions of R.R.No.9-98 relative to the due date within which to pay MCIT imposed on domestic corporation and resident foreign corporations. These revenue regulations require the quarterly payment of MCIT. The quarterly MCIT payments shall be creditable against the tax that will be due at the end of the taxable year whether it be RCIT or MCIT. The regulations took effect beginning on the income tax return for fiscal quarter ending September 30, 2007.

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

**Output Value Added Tax (VAT)**

The Company is a VAT-registered company with VAT output tax declaration of P3,320,704 for the year based on the commissions collected amounting to P27,672,535.

The Company has no zero-rated/exempt sales for the year 2022.

**Input VAT**

The Company has claimed VAT input amounting to P213,607 for the year 2022.

**Withholding Taxes**

The amount of withholding taxes paid/accrued for the year amounted to:

	Amount
At source	945,516
Compensation	467,826
	<b>1,413,342</b>

### Taxes and Licenses

This account consists of:

	Amount
Business permit	138,280
Insurance commission supervision fee	25,250
Realty tax	23,035
Insurance commission filing fee	15,150
Community tax certificate	4,395
BIR annual registration fee	500
Professional tax	300
	<b>206,910</b>

### **Note 21 - Unrealized loss on financial assets at fair value through other comprehensive income**

This account consists of:

	2022	2021
Fair market value, ending	738,415	910,782
Fair market value, beginning	(910,782)	(1,019,531)
	<b>(172,367)</b>	<b>(108,749)</b>

### **Note 22 - Management of insurance and financial risks**

#### Governance Framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failure to exploit opportunities. The company recognizes the importance of having efficient and effective risk management systems in place.

#### Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency positions to meet liabilities arising from claims and that the risk levels are at acceptable levels. The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

#### Financial Risks

The company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks

arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk by setting up exposure limits for each counterparty of group of counterparties, and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

The Company sets the maximum amounts and limits that may be advanced to place with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivables from them to reduce the risk of doubtful accounts.

The credit quality of the financial assets was determined as follows:

a. Cash and cash equivalent

These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. Insurance and other loans and receivables

The Company uses a credit rating concept based on the borrowers overall credit worthiness. Investment grade is given to borrowers and counterparties having good standing in terms of credit and paying habits and their outstanding account balance does not exceed 30% of their total production. Below investment grade is given to borrowers and counterparties having low standing in terms of credit and paying habits and their outstanding balance exceeds 50% of their total production.

c. Debt securities

These are classified as investment grade. The government debt securities are issued by local government authority and are considered as risk-free debt securities.

d. Equity securities

Listed equity shares are classified as investment grade. Unlisted equity shares are classified as non-investment grade.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2022 and 2021.

#### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in arising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual

obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity risk by specifying minimum proportion of fund to meet emergency calls; specifying the sources of funding and the events that would trigger the plan; determining concentration of funding sources; reporting of liquidity risk exposure; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The tables below analyze financial assets and financial liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

<b>2022</b>			
	<b>Up to a year*</b>	<b>More than a year</b>	<b>Total</b>
Cash and cash equivalents	42,954,653	-	42,954,653
Insurance balances receivable	479,420,253	-	479,420,253
Accounts and other receivables	-	-	-
Financial assets at FVOCI	738,415	-	738,415
Investment in stocks	150,000	-	150,000
<b>Total financial assets</b>	<b>523,263,321</b>	<b>-</b>	<b>523,263,321</b>
Insurance balances payable	477,810,836	-	477,810,836
Accounts and other payables	8,880,007	60,162	8,940,169
Income tax payable	1,883,886	-	1,883,886
<b>Total financial liabilities</b>	<b>488,574,729</b>	<b>60,162</b>	<b>488,634,891</b>

<b>2021</b>			
	<b>Up to a year*</b>	<b>More than a year</b>	<b>Total</b>
Cash and cash equivalents	31,625,999	-	31,625,999
Insurance balances receivable	212,202,346	11,878,046	224,080,392
Accounts and other receivables	80,398	345,452	425,850
Financial assets at FVOCI	910,782	-	910,782
Investment in stocks	150,000	-	150,000
<b>Total financial assets</b>	<b>244,969,525</b>	<b>12,223,498</b>	<b>257,193,023</b>
Insurance balances payable	199,528,492	30,054,741	229,583,309
Accounts and other payables	493,649	1,039,029	1,532,678
Loans payable	176,605	-	176,605
Income tax payable	779,909	-	779,909
<b>Total financial liabilities</b>	<b>200,978,655</b>	<b>31,093,770</b>	<b>232,072,501</b>

\*Up to a year are all commitments which are either due within one year or are payable on demand.

The table below analyzes nonfinancial assets and liabilities of the Company into amounts expected to be recovered/settled within 12 months (current) and beyond 12 months (noncurrent).

	2022		2021	
	Current	Noncurrent	Current	Noncurrent
Property and equipment- net		1,926,417	-	2,122,509
Other assets		159,351	-	143,804
<b>Total nonfinancial assets</b>	-	<b>2,085,768</b>	-	<b>2,266,313</b>
Accounts and other payables		51,630		51,630
<b>Total nonfinancial liabilities</b>	-	<b>51,630</b>	-	<b>51,630</b>

It is unusual for a company primarily transacting insurance business to predict the requirement of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provisions and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

#### Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and the market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company structure levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Company; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; sets out the net exposure limits by each counterparty or group of counterparties, reporting of market risk exposure and breaches; and monitoring compliances with market risk policy and review of market risk policy for pertinence and changing environment.

#### (a.) Currency Risk

The Company's principal transactions are carried out in Philippines Peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipts of any claim reimbursement.

The Company's financial assets are denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

#### (b.) Interest Rate Risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(c) **Price Risk**

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (due to changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**Note 24 - Related party transaction**

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

The Company's related parties include its key management and shareholders.

**Note 25 - Contingencies**

The Company operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material or adverse effect on the Company's financial position and results of operations.

# **I.T. SABADO & ASSOCIATES**

## **Certified Public Accountants**

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### **SUPPLEMENTAL WRITTEN STATEMENT**


The Board of Directors and Shareholders  
**MEGA RE INTERNATIONAL, INC.**  
Room 906 Cityland 10 Tower II, 6817 Ayala Ave.  
Salcedo Village, Makati City

We have examined the Financial Statements of Mega Re International, Inc. for the years ended December 31, 2022 and 2021, on which we have rendered the attached report dated April 12, 2023.

In compliance with SRC Rule 68, We are stating that the said company has a total number of **nine (9)** shareholders owning one hundred (100) or more shares each.

**I.T. SABADO & ASSOCIATES, CPAs**  
PRC/BOA Registration No. 1324  
Until April 13, 2024  
BIR Accreditation No. 07-000400-003-2020  
Until May 26, 2023  
SEC Accreditation No. 1324-IC (Group A)  
Until 2025 audit period

By:

  
**ISAGANI T. SABADO**  
Managing Partner  
CPA Reg. No. 078824  
Until July 10, 2025  
SEC Accreditation No. 78824-IC (Group A)  
TIN 145-707-022  
PTR No. 4234812  
January 31, 2023  
Quezon City

April 12, 2023