

Report of Independent Certified Public Accountants to Accompany Income Tax Return

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

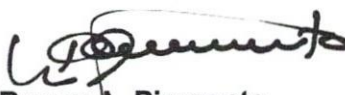
T +63 2 8988 2288

The Board of Directors
KRM Reinsurance Brokers Phils., Inc.
(A Subsidiary of Picazo Strategic Holdings Corp.)
Suite 1804, 88 Corporate Center
Sedeño corner Valero Streets
Salcedo Village, Makati City

We have audited the financial statements of KRM Reinsurance Brokers Phils., Inc. (the Company) for the year ended December 31, 2021, on which we have rendered the attached report dated April 15, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8852342, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 15, 2022



Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
KRM Reinsurance Brokers Phils., Inc.
(A Subsidiary of Picazo Strategic Holdings Corp.)
Suite 1804, 88 Corporate Center
Sedeño corner Valero Streets
Salcedo Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KRM Reinsurance Brokers Phils., Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/ PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002



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 a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



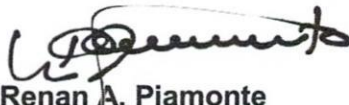
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we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

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

Report on Other Legal and Regulatory Requirements

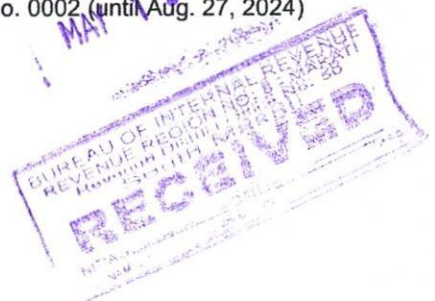
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 19 to the financial statements is presented for purposes 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.

PUNONGBAYAN & ARAULLO


By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8852342, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

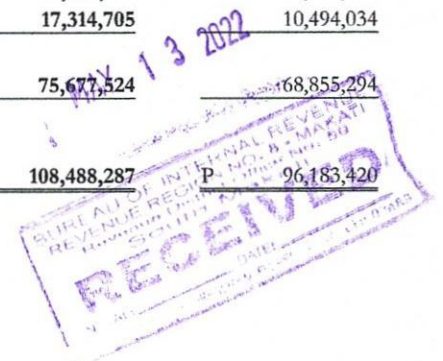
April 15, 2022



KRM REINSURANCE BROKERS PHILS., INC.
(A Subsidiary of Picazo Strategic Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 45,058,250	P 49,868,218
Receivables - net	5	36,385,908	22,456,604
Due from a related party	13	1,513,951	-
Financial assets at fair value through profit or loss	7	1,100,000	1,050,000
Other current assets	6	1,438,980	428,873
Total Current Assets		85,497,089	73,803,695
NON-CURRENT ASSETS			
Property and equipment - net	8	22,435,035	21,751,159
Retirement benefit asset	11	510,413	590,316
Refundable deposits		45,750	38,250
Total Non-current Assets		22,991,198	22,379,725
TOTAL ASSETS		P 108,488,287	P 96,183,420
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Payable to reinsurers	2	P 21,899,348	P 15,383,684
Payable to ceding companies	2	3,386,994	5,478,988
Accounts payable and accrued expenses	9	3,249,399	2,634,760
Income tax payable		-	372,640
Due to a related party	13	299,959	-
Total Current Liabilities		28,835,700	23,870,072
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	12	3,013,037	2,958,544
Deferred output tax payable		962,026	499,510
Total Non-current Liabilities		3,975,063	3,458,054
Total Liabilities		32,810,763	27,328,126
EQUITY			
Capital stock	14	48,000,100	48,000,100
Revaluation reserves		10,362,719	10,361,160
Retained earnings		17,314,705	10,494,034
Total Equity		75,677,524	68,855,294
TOTAL LIABILITIES AND EQUITY		P 108,488,287	P 96,183,420

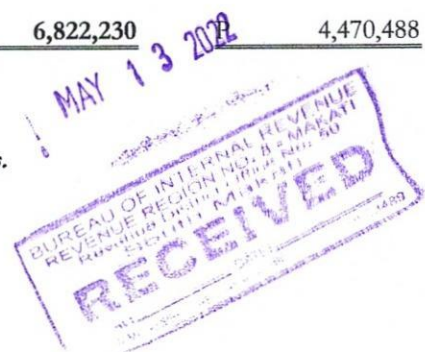
See Notes to Financial Statements.



KRM REINSURANCE BROKERS PHILS., INC.
(A Subsidiary of Picazo Strategic Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
COMMISSION REVENUES	2	P 22,604,111	P 17,963,709
EXPENSES			
Salaries and employee benefits	11	8,839,284	7,408,407
Depreciation and amortization	8	1,684,986	1,724,851
Outside services		1,532,299	465,661
Professional fees		968,889	530,000
Insurance		824,292	1,064,362
Utilities		777,332	866,324
Taxes and licenses	19	514,379	636,156
Repairs and maintenance		221,769	331,967
Travel and transportation		198,315	355,054
Representation and entertainment		40,535	223,467
Advertising and promotions		94,110	72,059
Other operating expenses		717,908	632,577
		16,414,098	14,310,885
OPERATING PROFIT		6,190,013	3,652,824
OTHER INCOME (CHARGES)	10		
Finance income - net		1,510,121	883,807
Other income		392,858	446,685
		1,902,979	1,330,492
PROFIT BEFORE TAX		8,092,992	4,983,316
TAX EXPENSE	12	1,524,159	1,357,409
NET PROFIT		6,568,833	3,625,907
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment defined benefit plan	11	203,260	1,206,545
Tax expense (income)	12	(50,137)	361,964
		253,397	844,581
TOTAL COMPREHENSIVE INCOME		P 6,822,230	4,470,488

See Notes to Financial Statements.



KRM REINSURANCE BROKERS PHILS., INC.
(A Subsidiary of Picazo Strategic Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	<u>Capital Stock</u> <small>(see Note 14)</small>	<u>Revaluation Reserves</u> <small>(see Note 14)</small>	<u>Retained Earnings</u> <small>(see Note 14)</small>	<u>Total Equity</u>
Balance at January 1, 2021	P 48,000,100	P 10,361,160	P 10,494,034	P 68,855,294
Transfer of revaluation reserves absorbed through depreciation, net of tax	-	(251,838)	251,838	-
Total comprehensive income for the year	<u>-</u>	<u>253,397</u>	<u>6,568,833</u>	<u>6,822,230</u>
Balance as at December 31, 2021	<u>P 48,000,100</u>	<u>P 10,362,719</u>	<u>P 17,314,705</u>	<u>P 75,677,524</u>
Balance at January 1, 2020	P 48,000,100	P 9,751,628	P 6,633,078	P 64,384,806
Transfer of revaluation reserves absorbed through depreciation, net of tax	-	(235,049)	235,049	-
Total comprehensive income for the year	<u>-</u>	<u>844,581</u>	<u>3,625,907</u>	<u>4,470,488</u>
Balance as at December 31, 2020	<u>P 48,000,100</u>	<u>P 10,361,160</u>	<u>P 10,494,034</u>	<u>P 68,855,294</u>

See Notes to Financial Statements.



KRM REINSURANCE BROKERS PHILS., INC.
(A Subsidiary of Picazo Strategic Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 8,092,992	P 4,983,316
Adjustments for:			
Depreciation and amortization	8	1,684,986	1,724,851
Interest income - net	10, 11	(1,143,841)	(990,595)
Unrealized foreign currency exchange loss (gain) - net	10	(316,280)	6,788
Fair value loss (gain) on financial assets at fair value through profit or loss	7, 10	(50,000)	100,000
Gain on sale of property and equipment	8, 10	-	(18,112)
Operating profit before working capital changes		<u>8,267,857</u>	5,806,248
Decrease (increase) in receivables		(13,126,454)	3,576,376
Increase in refundable deposit		(7,500)	-
Increase in other current assets		(979,134)	(174,311)
Increase in payable to reinsurers		6,515,664	5,485,186
Increase (decrease) in payable to cedants		(2,091,994)	1,419,288
Increase (decrease) in accounts payable and accrued expenses		614,639	(599,433)
Increase in retirement benefit asset		<u>262,212</u>	418,171
Cash generated from (used in) operations		(544,710)	15,931,525
Cash paid for income taxes		(1,360,627)	(2,208,850)
Net Cash From (Used in) Operating Activities		<u>(1,905,337)</u>	<u>13,722,675</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	8	(2,368,861)	(92,251)
Interest received		361,942	358,542
Proceeds from sale of property and equipment	8	-	247,828
Net Cash From (Used In) Investing Activities		<u>(2,006,919)</u>	<u>514,119</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Advances granted to related parties	13	(1,513,951)	-
Advances obtained from related parties		<u>299,959</u>	-
Net Used in Investing Activities		<u>(1,213,992)</u>	-
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		<u>316,280</u>	(6,788)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(4,809,968)</u>	14,230,006
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>49,868,218</u>	<u>35,638,212</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 45,058,250</u>	<u>P 49,868,218</u>

Supplemental Information on Non-cash Investing Activity –

The Company recognized interest income from notes receivables amounting to P0.8 million both in 2021 and 2020, respectively. Total uncollected interest amounted to P1.9 million as of December 31, 2021 and P1.1 million as of December 31, 2020, which are both presented as part Others under Receivables - net in the statements of financial position (see Note 5).

See Notes to Financial Statements.

