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HSBC Insurance Brokers (Philippines), Inc.

(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)

Financial Statements
As at and for the years ended December 31, 2021 and 2020

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholder of
HSBC Insurance Brokers (Philippines), Inc.
(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)
5F HSBC Centre
3058 Fifth Avenue West, Bonifacio Global City
Taguig City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HSBC Insurance Brokers (Philippines), Inc. (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 (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of income for the years ended December 31, 2021 and 2020;
- the statements of total comprehensive income for the years ended December 31, 2021 and 2020;
- the statements of changes in equity for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 operations, 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 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.

Isla Lipana & Co.

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 1775-A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 25, 2022

Contents

HSBC Insurance Brokers (Philippines), Inc.
(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)

Statements of Financial Position
December 31, 2021 and 2020
(In thousands of Philippine Peso)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash	2	168,097	237,598
Receivables, net	3	7,230	10,977
Prepayments		1,926	266
Other current assets	4	15,090	9,001
Total current assets		192,343	257,842
NON-CURRENT ASSETS			
Property and equipment, net	5	2,331	1,001
Deferred tax assets	10	876	3,399
Total non-current assets		3,207	4,400
Total assets		195,550	262,242
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payable to insurance companies		361	152
Accrued expenses and other current liabilities	6	9,907	17,092
Total current liabilities		10,268	17,244
NON-CURRENT LIABILITY			
Lease liability, net of current portion	12	1,540	-
Retirement benefit liability	8	197	1,220
Total noncurrent liabilities		1,737	1,220
Total liabilities		12,005	18,464
EQUITY			
Share capital	7	15,000	15,000
Retained earnings	7	169,580	230,521
Other reserves	9	729	729
Remeasurement losses on retirement plan, net of tax	8	(1,764)	(2,472)
Total equity		183,545	243,778
Total liabilities and equity		195,550	262,242

(The notes on pages 1 to 35 are an integral part of these financial statements.)

HSBC Insurance Brokers (Philippines), Inc.
(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)

Statements of Income
For the years ended December 31, 2021 and 2020
(In thousands of Philippine Peso)

	Notes	2021	2020
REVENUES			
Commission income		223,750	158,565
Other income	11	7,820	-
		231,570	158,565
EXPENSES			
Compensation and personnel-related costs	8	34,396	33,500
Occupancy and equipment-related costs		4,400	1,993
Professional fees		2,783	2,825
Management fees	11	2,619	2,619
Depreciation and amortization	5	897	938
Taxes and licenses		590	1,219
Travel and entertainment		376	410
Communication		141	149
(Reversal of impairment) impairment loss	3	(44)	689
Service fees	11	-	4,207
Loss on pretermination of lease, net	12	-	734
Others		798	731
		46,956	50,014
INCOME BEFORE INCOME TAX		184,614	108,551
INCOME TAX EXPENSE	10	30,034	24,573
NET INCOME FOR THE YEAR		154,580	83,978

(The notes on pages 1 to 35 are an integral part of these financial statements.)

HSBC Insurance Brokers (Philippines), Inc.
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Statements of Total Comprehensive Income
For the years ended December 31, 2021 and 2020
(In thousands of Philippine Peso)

	Note	2021	2020
NET INCOME FOR THE YEAR		154,580	83,978
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may not be reclassified to profit or loss			
Changes on remeasurement loss on retirement plan, net of tax	8	708	(618)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		155,288	83,360

(The notes on pages 1 to 35 are an integral part of these financial statements.)

HSBC Insurance Brokers (Philippines), Inc.
(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(In thousands of Philippine Peso)

	Share capital (Note 7)	Retained earnings (Note 7)	Other reserves (Note 9)	Remeasurement losses on retirement plan, net of tax (Note 8)	Total
Balance at January 1, 2020	15,000	274,040	729	(1,854)	287,915
Comprehensive income					
Net income for the year	-	83,978	-	-	83,978
Other comprehensive loss	-	-	-	(618)	(618)
Total comprehensive income for the year	-	83,978	-	(618)	83,360
Transaction with owner					
Dividends	-	(127,497)	-	-	(127,497)
Balance at December 31, 2020	15,000	230,521	729	(2,472)	243,778
Comprehensive income					
Net income for the year	-	154,580	-	-	154,580
Other comprehensive income	-	-	-	708	708
Total comprehensive income for the year	-	154,580	-	708	155,288
Transaction with owner					
Dividends	-	(215,521)	-	-	(215,521)
Balance at December 31, 2021	15,000	169,580	729	(1,764)	183,545

(The notes on pages 1 to 35 are an integral part of these financial statements.)

HSBC Insurance Brokers (Philippines), Inc.
(A wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited)

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(In thousands of Philippine Peso)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		184,614	108,551
Adjustments for:			
Depreciation and amortization	5,12	897	938
Loss on pre-termination, net	12	-	734
(Reversal of impairment) impairment loss	3	(44)	689
Interest expense	12	8	36
Retirement benefit expense - defined benefit plan	8	43	17
Operating income before working capital changes		185,518	110,965
Changes in operating assets and liabilities			
(Increase) decrease in:			
Receivables		3,791	4,382
Prepayments		(1,660)	231
Other current assets		(7,111)	1,782
Increase (decrease) in:			
Payable to insurance companies		209	(549)
Accrued expenses and other current liabilities		(6,976)	2,418
Net cash generated from operations		173,771	119,229
Taxes paid		(26,804)	(28,874)
Contributions to retirement fund - defined benefit plan	8	(43)	(17)
Net cash from operating activities		146,924	90,338
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability			
Principal	12	(896)	(972)
Interest	12	(8)	(36)
Dividends paid	7	(215,521)	(127,497)
Net cash used in financing activities		(216,425)	(128,505)
NET DECREASE IN CASH IN BANK		(69,501)	(38,167)
CASH IN BANK	2		
At January 1		237,598	275,765
At December 31		168,097	237,598

(The notes on pages 1 to 35 are an integral part of these financial statements.)

1 General information

Nature of operations

HSBC Insurance Brokers (Philippines), Inc. (the "Company") was registered with the Philippines Securities and Exchange Commission (SEC) on July 5, 2002 to engage in the business of insurance brokerage and to enter into and carry out contracts of every kind and description related to its business. The Company started its commercial operations on November 17, 2002.

The Company is a wholly-owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited (the "Parent Company"). The Company's ultimate parent company is HSBC Holdings PLC and is headquartered in London.

The Company's registered office address, which is also its principal place of business, is 5F HSBC Centre, 3058 Fifth Avenue West, Bonifacio Global City, Taguig City.

Amendment of the articles of incorporation

Amendment of secondary purpose of the corporation

On October 19, 2021, the Board of Directorts (BOD) approved the amendment of the Articles of Incorporation to operate as a broker or dealer of all types of securities whether domestic or foreign, subject to the approval of the SEC.

Increase in authorized capital stock

The BOD approved the increase in the Company's authorized capital stock from 15,000,000 shares with a par value of P1.00 per share to 315,000,000 shares with a par value of P1.00. The increase in authorized capital stock is subject to the approval of the Bangko Sentral ng Pilipinas, Insurance Commission (IC) and SEC.

Change of corporate name

The BOD approved the change in the corporate name of HSBC Insurance Brokers (Philippines), Inc. to HSBC Wealth Solutions, Inc., subject to the approval of the SEC.

Coronavirus update

The COVID-19 pandemic continues to create a great deal of uncertainty and disruption for the people, businesses and communities. It is affecting everyone in different ways, with markets at different stages of the crisis.

The pandemic continues to pose significant challenges for the Company's customers. The Company's immediate priority has been to do what it can to provide support and flexibility.

Employee well-being remains a top priority as the Company transitions to new ways of working and continues to navigate through the pandemic. The support provided is driven by the feedback from people surveys. In 2021, new tools and trainings were launched to support mental, physical and financial health. The Company is also enabling more colleagues to work flexibly and continues to follow social distancing and protection measures in line with local guidance. The Company firmly believes that helping the people to be healthy and happy is a key enabler of its strategy, and benefits the people and communities it serves.

The Company continues to engage with its stakeholders virtually and has already restarted face-to-face meetings where local guidance is allowed.

Approval of financial statements

These financial statements have been approved and authorised for issuance by the BOD on April 25, 2022.

2 Cash

	2021	2020
Cash in bank	168,087	237,588
Cash on hand	10	10
	168,097	237,598

Cash in bank at December 31, 2021 consists of deposits held at call which is maintained with the Parent Company and an entity under common control (Note 11).

3 Receivables, net

The account at December 31 consists of:

	2021	2020
Commission receivables	3,921	7,574
Other receivables	4,394	4,532
	8,315	12,106
Less: Allowance for impairment on commission receivables	1,085	1,129
	7,230	10,977

Other receivables pertain to the profit share, trailer fees and incentives receivable from insurance companies.

The changes in the allowance for impairment at December 31 are as follows:

	2021	2020
At January 1	1,129	440
(Reversal of impairment) impairment loss on commission receivables	(44)	689
At December 31	1,085	1,129

4 Other current assets

The account at December 31 consists of the following:

	2021	2020
Creditable withholding taxes	14,505	8,259
Input value-added tax (VAT)	31	23
Others	554	719
	15,090	9,001

5 Property and equipment, net

Details of property and equipment as at December 31 follow:

	Office space (Note 12)	Furniture, fixture and equipment	Leasehold improvements	Total
Cost				
At January 1, 2020	3,097	7,646	1,243	11,986
Additions	1,287	-	-	1,287
Loss on pre-termination	(1,467)	-	-	(1,467)
At December 31, 2020	2,917	7,646	1,243	11,806
Additions	2,227	-	-	2,227
Loss on pre-termination	-	-	-	-
At December 31, 2021	5,144	7,646	1,243	14,033
Accumulated depreciation and amortization				
At January 1, 2020	978	7,646	1,243	9,867
Depreciation and amortization	938	-	-	938
At December 31, 2020	1,916	7,646	1,243	10,805
Depreciation and amortization	897	-	-	897
At December 31, 2021	2,813	7,646	1,243	11,702
Net book value				
December 31, 2020	1,001	-	-	1,001
December 31, 2021	2,331	-	-	2,331

The amount of office space presented above is the recognised right-of-use asset arising from the leasing arrangement for the office premises the Company occupies with a carrying amount of P2.33 million as at December 31, 2021 (2020 - P1.00 million).

As at December 31, 2021 and 2020, gross carrying amount of fully depreciated property and equipment still in use amounts to P8.89 million.

6 Accrued expenses and other current liabilities

The account at December 31 consists of the following:

	Note	2021	2020
Due to related parties	11	2,341	10,161
Provision for bonus		2,281	1,917
Accrued expenses		1,585	432
Output VAT		1,535	1,774
Deferred output VAT		924	1,297
Lease liability	12	687	896
Withholding tax payable		552	459
Fringe benefit tax payable		2	156
		9,907	17,092

Provision for bonus pertains to estimated amounts of bonuses to be paid out to the Company's officers and employees.

Accrued expenses include estimated amounts for legal obligations, utilities and professional fees.

Deferred output VAT pertains to output VAT recognised for commission income not yet collected.

7 Equity

(a) Share capital

As at December 31, 2021 and 2020, the Company has 15,000,000 authorised, issued, and outstanding common shares with a par value of P1.00 per share.

(b) Retained earnings

The movements of this account for the years ended December 31 are as follows:

	2021	2020
At January 1	230,521	274,040
Dividends paid	(215,521)	(127,497)
Net income for the year	154,580	83,978
At December 31	169,580	230,521

Following the authorisation of the IC on February 21, 2020, total dividends approved amounts to P127.50 million or P8.50 per share. The dividends were paid on May 4, 2020.

As at December 31, 2020, the Company has an excess retained earnings over share capital of P215.52 million.

On June 2, 2020, the BOD approved the declaration of cash dividends of P8.77 per share on the common shares of the Company or a total of P131.54 million. On January 7, 2021, the IC issued Circular 2021-02 stating that declaration of dividends will no longer require prior approval or clearance from the IC. However, regulated entities shall report the same to the IC within 30 days after such declaration or distribution, accompanied by required documents. The dividend amounting to P131.54 million was submitted for IC approval; however, payment was made upon issuance of IC Circular 2021-02. The dividends were paid on January 22, 2021.

On April 20, 2021, the BOD approved the declaration of cash dividends of P5.60 per share on the common shares of the Company or a total of P83.98 million.

As at December 31, 2021, the Company has an excess retained earnings over share capital of P154.58 million. On April 25, 2022, the BOD approved the declaration of cash dividends of P10.31 per share on the common shares of the Company or a total of P154.58 million.

Capital management

The Company defines capital as share capital and retained earnings. The primary objective of the Company's capital management policy is to ensure that the Company complies with the minimum capitalisation requirement set by the IC for insurance brokers and to maintain a strong credit rating and healthy capital ratios in order to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. The Company may issue new shares to maintain or adjust the capital structure.

No changes were made in the objectives, policies or processes of the Company for the years ended December 31, 2021 and 2020.

In compliance with Insurance Memorandum Circular No. 1-2006 issued by the IC, as a licensed insurance broker, the Company is required to maintain a net worth of P10 million. As at December 31, 2021 and 2020, the Company has complied with the requirement.

Required bond for insurance brokers

Pursuant to RA No. 10607 enacted on August 15, 2013, every applicant for insurance broker's license shall file with the application and shall thereafter maintain in force while so licensed, a bond in favor of the people of the Republic of the Philippines executed by a company authorised to become surety upon official recognisances, stipulations, bonds and undertakings.

The bond shall be in such amount as may be fixed by the Commissioner, but in no case less than one million pesos (P1,000,000), and shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under license.

The Company has complied with the above requirement as at December 31, 2021 and 2020.

8 Employee benefits

Expenses recognised for salaries and employee benefits under "Compensation and personnel-related costs" in the statement of income for the years ended December 31 are presented below:

	2021	2020
Salaries and wages	29,040	28,726
Post-employment benefits	3,080	3,118
Short-term benefits	2,276	1,656
	34,396	33,500

The Company is covered by a funded, non-contributory DB retirement plan and DC plan covering all of its officers and regular employees.

In 2021, post-employment benefits pertain to retirement benefit expense for DB plan amounting to P0.04 million (2020 - P0.02 million) and DC plan amounting to P3.04 million (2020 - P3.10 million).

The DC plan retirement benefit expense is presented as the total amount of: (a) actual contributions to the DC plan amounting to P3.34 million (2020 - P3.10 million); and (b) amount of applied DC plan benefit forfeitures during the year relating to employer contributions that did not vest to various employees upon their resignation which is P0.01 million (2020 - nil) reduced by the amount of additional DC plan benefit forfeitures recognised during the year amounting to P0.31 million (2020 - nil).

Defined benefit retirement plan

In November 2014, the Company became a participant in the DB plan which was approved by the Board of Trustees of the DB plan. The reconciliation from opening balances to the closing balances for net retirement benefit liability under the DB plan is as follows:

	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2021	(6,098)	4,878	(1,220)
Included in profit or loss			
Current service cost	-	-	-
Net interest cost	(212)	169	(43)
	(212)	169	(43)
Included in OCI			
Remeasurement gain (loss) arising from:			
Experience adjustment	188	-	188
Change in assumptions	926	-	926
Return on plan assets excluding interest income	-	(91)	(91)
	1,114	(91)	1,023
Others			
Contributions paid by the Company	-	43	43
Balance at December 31, 2021	(5,196)	4,999	(197)

	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2020	(4,988)	4,651	(337)
Included in profit or loss			
Current service cost	-	-	-
Net interest cost	(247)	230	(17)
	(247)	230	(17)
Included in OCI			
Remeasurement gain (loss) arising from:			
Experience adjustment	121	-	121
Change in assumptions	(984)	-	(984)
Return on plan assets excluding interest income	-	(20)	(20)
	(863)	(20)	(883)
Others			
Contributions paid by the Company	-	17	17
Balance at December 31, 2020	(6,098)	4,878	(1,220)

The components of the plan assets as at December 31 are as follows:

	2021	2020
Bonds	71.14%	57.05%
Equity securities	16.59%	17.78%
Cash and cash equivalents	12.27%	25.17%
	100.00%	100.00%

The expected contribution to the DB plan in 2022 is P0.29 million (2021 - P0.07 million).

The following are the principal actuarial assumptions at the reporting date:

	2021	2020
Discount rate	5.00%	3.50%
Future salary increases	3.50%	3.50%

Assumptions regarding future mortality rate have been on the 1994 Group Annuity Mortality Table.

As at December 31, 2021, the weighted-average duration of the DB obligation is 11.07 years (2020 - 12.16 years).

The projected maturity analysis of retirement benefit payments (at undiscounted amounts) as at December 31 are as follows:

	2021	2020
Between 1 to 2 years	158	161
Between 2 to 5 years	546	445
Between 5 to 10 years	981	1,009

Sensitivity analysis

As at December 31, 2021 and 2020, considering the DB plan's funding status and minimal number of employees covered, it is assessed that the impact of changes in actuarial assumptions to the liability reported under the DB plan is not expected to be significant.

The asset allocation of the DB plan is set and reviewed from time to time by the DB plan's Board of Trustees taking into account the membership profile, the liquidity requirements of the DB plan and risk appetite of the DB plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

The Company's contributions are agreed between the DB plan's Board of Trustees and the Company, in consideration of the contribution advice from the DB plan's actuary.

Defined contribution retirement plan

In 2011, the Company adopted a DC plan for its officers and regular employees.

The contributions of the Company to the retirement plan consist of voluntary employee and Company's matching contributions. Contributions are made monthly and are based on the employee's monthly basic salary as follows:

Voluntary Employee	Participating Company			Total (Employee and Participating Company)
	Basic	Matching	Total	
0.0%	12.0%	0.0%	12.0%	12.0%
1.0%	12.0%	1.0%	13.0%	14.0%
2.0%	12.0%	2.0%	14.0%	16.0%
3.0%	12.0%	3.0%	15.0%	18.0%
4.0%	12.0%	4.0%	16.0%	20.0%
5.0%	12.0%	5.0%	17.0%	22.0%

Total contributions made to the DC plan for the years ended December 31 are summarised as follows:

	2021	2020
Employer contributions	3,344	3,101
Employee-member contributions	919	913
	4,263	4,014

Defined contribution retirement plan subject to the requirements of R.A. 7641

The Company maintains a DC plan which is accounted for as a DB plan with minimum guarantee. As at December 31, 2021 and 2020, the fair value of the defined contributions for DC plan reasonably approximates the minimum defined benefit guaranteed under R.A. No. 7641.

The reconciliation from opening balances to the closing balances for net retirement benefit liability is as follows:

	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2021	(26,003)	25,464	(539)
Included in profit or loss			
Current service cost	(3,249)	-	(3,249)
Net interest cost	(1,030)	1,010	(20)
	(4,279)	1,010	(3,269)
Included in OCI			
Remeasurement gain			
Actuarial gain arising from experience adjustment	15	-	15
Return on plan assets excluding interest income	-	452	452
	15	452	467
Others			
Contributions paid by the Company	-	3,344	3,344
Benefits paid by the Company	1,015	(1,015)	-
Transfer payments	(16)	16	-
Balance at December 31, 2021	(29,268)	29,271	3

	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2020	(23,682)	23,198	(484)
Included in profit or loss			
Current service cost	(3,385)	-	(3,385)
Net interest cost	(1,223)	1,198	(25)
	(4,608)	1,198	(3,410)
Included in OCI			
Remeasurement gain (loss)			
Actuarial gain arising from experience adjustment	594	-	594
Return on plan assets excluding interest income	-	(340)	(340)
	594	(340)	254
Others			
Contributions paid by the Company	-	3,101	3,101
Benefits paid by the Company	1,405	(1,405)	-
Transfer payments	288	(288)	-
Balance at December 31, 2020	(26,003)	25,464	(539)

Transfers relate to transfer of employees within HSBC Group. The components of the plan assets as at December 31 are as follows:

	2021	2020
Bonds	83.67%	92.08%
Equity securities	8.37%	4.96%
Cash and cash equivalents	7.96%	2.96%
	100.00%	100.00%

The expected contribution to the DC retirement plan in 2021 is P3.52 million (2020 - P3.48 million).

The following are the principal actuarial assumptions as at December 31:

	2021	2020
Discount rate	5.00%	3.75%
Future salary increases	3.50%	3.50%

Assumptions regarding future mortality rate have been on the 1994 Group Annuity Mortality Table.

As at December 31, 2021, the weighted-average duration of the obligation under DB plan with minimum guarantee is 11.54 years (2020 - 12.51 years).

The projected maturity analysis of retirement benefit payments (at undiscounted amounts) as at December 31 are as follows:

	2021	2020
Between 1 to 2 years	1,071	1,083
Between 2 to 5 years	3,454	2,688
Between 5 to 10 years	9,546	10,061

Sensitivity analysis

The DB obligation is made up mostly of DC balances and has a minimal component of the variance from the requirement of RA No. 7641. Hence, reasonably possible changes at the reporting date to discount rate and future salary growth rate assumptions, holding other assumptions constant, would have not significantly affected the DB obligation.

The DC plan exposes the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk only to the extent that the DC benefits will not exceed the minimum defined benefit guarantee under RA No. 7641.

The asset allocation of the DC plan is set and reviewed from time to time by the DC plan's Board of Trustees taking into account the membership profile, the liquidity requirements of the DC plan and risk appetite of the DC plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

The Company's contributions are agreed between the DC plan's Board of Trustees and the Company, in consideration of the contribution advice from the DC plan's actuary.

9 Share-based payments

All outstanding options have been exercised as at December 31, 2021 and 2020. No additional shares were granted in 2021 and 2020. There is also no share-based payment included in the statement of income for 2021 and 2020.

The amount relating to share options granted to employees of the Company directly by the Ultimate Parent Company is reported under “Other reserves” account in the statement of financial position. As at December 31, 2021 and 2020, the Company’s other reserves account amounts to P0.73 million.

10 Income taxes

The provision for income tax for the years ended December 31 consists of:

	2021	2020
Current	27,827	24,467
Deferred	2,207	106
	30,034	24,573

As at December 31, the details of Company’s deferred tax assets, net follow:

	2021	2020
Deferred tax on:		
Actuarial loss taken to equity	744	1,059
Provision for bonus	570	575
Share-based payments	-	25
Provision for estimated expenses	206	2,115
Lease payments	(644)	(375)
	876	3,399

The reconciliation between the statutory income tax rate and the effective income tax rates follows:

	2021	2020
Statutory income tax rate	25.00%	30.00%
Tax effects of:		
OSD	(7.98%)	(7.85%)
Nondeductible expense	0.14%	0.48%
Impact of CREATE law	(0.89%)	-
Effective income tax rate	16.27%	22.63%

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE law, the Company recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P2.04 million in current income tax expense and an increase of P0.39 million in deferred income tax expense using the weighted average effective annual income tax rate.

11 Related party transactions

In the ordinary course of business, the Company has various transactions with its related parties which includes normal transactions and an agreement to provide services and use of equipment. The effects of these transactions are shown as follows:

	2021		2020		Terms
	Transactions charged (credited) to profit or loss	Outstanding balance	Transactions charged (credited) to profit or loss	Outstanding balance	
Cash in bank					- Withdrawable in cash on demand
Parent Company	-	168,007	-	237,581	- Non-interest bearing
Entity under common control	-	80	-	7	- See Note 11.1
Service fees					- Unguaranteed and unsecured
Ultimate Parent Company	(6,023)	-	1,205	(4,818)	- Payable in cash on demand at gross
Entity under common control	(1,797)	-	3,002	(3,002)	- Non-interest bearing - See Note 11.2
Management fees					- Unguaranteed and unsecured
Parent Company	2,619	-	2,619	-	- Payable in cash on demand at gross - Non-interest bearing - See Note 11.3
Liability for transfer of plan assets					- Unguaranteed and unsecured
Entities under common control	-	(2,341)	-	(2,341)	- Payable in cash on demand at gross - Non-interest bearing - See Note 11.4
Occupancy and equipment related costs					- Unguaranteed and unsecured - Payable in cash on demand at gross
Parent Company	4,048	-	1,536	-	- Non-interest bearing - See Note 11.5

Outstanding payable to Parent Company and entities under common control is presented within accrued expenses and other current liabilities. Other income in 2021 represents one-off releases of accrued service fees payable to and as advised by the Ultimate Parent Company and an entity under common control.

11.1 Cash in bank

Cash in bank pertains to deposits made with the Parent Company and with an entity under common control which are outstanding as at December 31, 2021 and 2020.

11.2 Service fees

These pertain to allocated costs for business support services which include central projects, central support services, risk management and third party fund and fund management approvals. The fee will be based on the time spent on projects and total direct and indirect costs incurred by the service provider, plus mark-up. Further, any costs incurred by the service provider that directly benefit the Company and do not form part of the costs of service provider to render services (“pass-through costs”) will be reimbursed by the service provider with no mark-up.

11.3 Management fees

These pertain to business support services provided by the Parent Company which include human resources, call center facilities, equipment and general services and operations, for an agreed amount of remuneration. The fee will be based on the schedule of the unit rates and to be applied to the monthly usage of the Company.

11.4 Liability for transfer of plan assets

The assets of the plan across all entities covered by the multi-employer benefit plan based on the year-end defined benefit obligation. Consequently, a one-time notional asset transfer out amounting to P2.34 million was reflected in order to align the return on assets per entity.

11.5 Occupancy and equipment - related costs

These pertain to costs charged by the Parent Company for the information technology-related services provided to the Company. Occupancy and equipment - related transactions with related parties are settled in cash under normal terms.

Compensation of key management personnel included under "Compensation and personnel-related cost" in the statement of income follows:

	2021	2020
Short-term employee benefits	15,162	16,764
Post-employment benefits	1,777	1,826
	16,939	18,590

Key management personnel include employees having a position of manager and up.

Honorarium paid to non-executive directors of the Company amounts to P0.77 million (2020 - P0.51 million).

12 Lease contract

Starting February 2017, the Company's office premise is under an assignment of lease agreement with its Parent Company for a period of five (5) years. In August 2020, the said lease was pre-terminated and the Company has entered in another assignment of lease with its Parent Company for a period of 1.5 years. The contract of lease between the Parent Company and the lessor is for a period of 1.5 years and is renewable upon mutual agreement of the parties. In August 2021, the said lease was extended for a period of 3 years. The contract of lease between the Parent Company and the lessor is likewise extended for a period of 3 years and is renewable upon mutual agreement of the parties.

The Company recognised right-of-use asset pertaining to "Office space" (Note 5) and "Lease liability" (Note 6) in the statement of financial position.

Amounts recognised in the statement of financial position are the following:

	Notes	December 31, 2021	December 31, 2020
Office space	5		
Cost		5,144	2,917
Accumulated depreciation		(2,813)	(1,916)
		2,331	1,001
Lease liability			
Current	6	687	896
Non-current		1,540	-
		2,227	896

The movement in office space is presented in Note 5.

The movements in lease liability in 2021 and 2020 are as follows:

	2021	2020
At January 1	896	1,314
Additions	2,227	1,287
Payments	(904)	(1,008)
Amortisation of interest	8	36
Loss on pre-termination	-	(733)
At December 31	2,227	896

Discount rate

The lease payments for lease of office premises are discounted using the Parent Company's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The discount rate used by the Company is 3.91% (2020 - 2.07%).

Amounts recognised in the statement of income for the years ended December are as follows:

	Note	2021	2020
Depreciation expense on right-of-use asset	5	897	938
Interest expense on lease liability		8	36
Loss on pre-termination, net		-	734
		905	1,708

Interest expense on lease liability is included under "Occupancy and equipment-related costs" in the statement of income.

13 Non-cash operating activity

In 2021, the Company applied its tax credits of P33.24 million (2020 - P23.31 million) against income tax payable.

14 Capital and financial risk management

The BOD of the Company has the overall responsibility for the establishment and oversight of the risk management structure. The BOD has delegated to the senior management the responsibility for developing and monitoring the Company's policies, which address risk management areas.

The senior management is responsible for monitoring compliance with the Company's policies and procedures and for reviewing the adequacy of these policies in relation to the risks faced by the Company.

The Company has various financial assets, such as cash, receivables, and other financial liabilities which are composed of payable to insurance companies, lease liability and accrued expenses and other current liabilities (excluding taxes payable and provision for bonus), that arise directly from the conduct of its operations. Exposure to credit, liquidity and interest rate risks arise in the normal course of the Company's business activities.

The risk management framework established by the Company, which is aligned to the HSBC Group, seeks to foster the continuous monitoring of the risk environment and an integrated evaluation of risks and their interdependencies:

- to identify and monitor such risks on an ongoing basis;
- to minimise and mitigate such risks; and
- to provide a degree of certainty about costs.

14.1 Market risk

14.1.1 Foreign exchange risk

Foreign exchange risk is the risk that the Company incurs losses occurring from an adverse movement in foreign exchange rates.

As at December 31, 2021 and 2020, the Company is not exposed to any foreign currency risk as the Company has no significant foreign currency denominated assets and liabilities.

14.1.2 Price risk

Price risk is the risk that the Company incurs losses due to changes in market values of financial instruments arising from movements in market prices.

As at December 31, 2021 and 2020, the Company has minimal exposure to price risk since the financial instruments held by the Company pertains to cash in bank, receivables, and other financial liabilities which are not affected by movements in market prices.

14.1.3 Interest rate risk

The Company is not exposed to significant interest rate risk considering the nature and the terms of its existing financial assets and liabilities.

14.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company trades only with recognised and credit-worthy third parties. It is the Company's practice that all insurance providers who wish to conduct business with the Company are subject to the Company's accreditation procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is reduced.

The table below shows the maximum exposure to credit risk as at December 31:

	Notes	2021	2020
Cash in bank	2	168,087	237,588
Receivables, net	3	7,230	10,977
		175,317	248,565

The Company rates the quality of financial assets as follows:

- High Grade - These are financial assets which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the financial assets are readily enforceable).
- Standard Grade - These are financial assets where collections are probable due to the reputation and the financial ability of the counterparty to pay but may have been outstanding for a long period of time.
- Low Grade - These are financial assets which are deemed uncollectible.

The table below shows the credit quality by class of financial assets (gross of allowance for impairment), based on the Company's credit rating system. The loss allowance on these receivables have been determined using the aging analysis below:

	2021			
	High Grade	Standard Grade	Low Grade	Total
Cash in bank				
Current	168,087	-	-	168,087
Receivables				
Current	7,125	-	172	7,297
Within 30 days	-	42	13	55
31-60 days	-	16	35	51
61-90 days	-	47	37	84
More than 90 days	-	-	828	828
	7,125	105	1,085	8,315
	175,212	105	1,085	176,402
	2020			
	High Grade	Standard Grade	Low Grade	Total
Cash in bank				
Current	237,588	-	-	237,588
Receivables				
Current	10,358	-	213	10,571
Within 30 days	-	331	70	401
31-60 days	-	43	37	80
61-90 days	-	245	116	361
More than 90 days	-	-	693	693
	10,358	619	1,129	12,106
	247,946	619	1,129	249,694

14.3 Liquidity risk

Liquidity risk pertains to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Analysis of financial liabilities by contractual maturity

The table below summarises the maturity profile of the Company's financial liabilities based on undiscounted contractual repayment obligations:

	2021				
	On demand	Due within 1 month	Up to 1 year	1 to 5 years	Total
Financial liabilities					
Payable to insurance companies	-	361	-	-	361
Accrued expenses and other current liabilities*	-	-	4,679	-	4,679
Lease liability, net of current portion, plus future interest	-	-	-	1,621	1,621
	-	361	4,679	1,621	6,661

Excluding taxes payable and provision for bonus; plus future interest for the current portion of lease liability

	2020				
	On demand	Due within 1 month	Up to 1 year	1 to 5 years	Total
Financial liabilities					
Payable to insurance companies	-	152	-	-	152
Accrued expenses and other current liabilities*	-	-	11,494	-	11,494
Lease liability, net of current portion plus future interest	-	-	-	-	-
	-	152	11,494	-	11,646

Excluding taxes payable and provision for bonus; plus future interest for the current portion of lease liability

14.4 Fair value measurement

The carrying amounts of the Company's financial assets, which are composed of cash, receivables, and other financial liabilities, which are composed of payable to insurance companies and accrued expenses and other current liabilities, except taxes payable and provision for bonus, represent their respective fair values as of the reporting dates due to their short-term nature.

The fair value of lease liability approximates its carrying amount as the difference between the present value of cash flows calculated using market rates and the carrying value of the lease liability is not significant.

As at December 31, 2021 and 2020, the Company has no financial instruments recognised at fair value.

15 Critical accounting estimates, assumptions and judgments

The preparation of financial information requires the use of estimates and judgments about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below, it is possible that the outcome in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for purposes of the financial statements. Management's selection of the Company's accounting policies which contain critical estimates and judgments is listed below; it reflects the materiality of the items to which the policies are applied, and the high degree of judgment and estimation uncertainty involved.

15.1 Critical accounting judgments

(a) Impairment of receivables (Note 3)

The Company applies PFRS 9 and determines the recoverable amount of receivables based on the expected credit losses of the portfolio of receivables, as a whole. In arriving at the expected credit loss for a particular period, management considers both historical loss experience and certain macroeconomic factors of the country to which the Company operates. In these cases, management uses estimates based on the best available facts and circumstances, including but not limited to whether there had been payment defaults in the past. An evaluation of receivables designed to identify potential charges to the provision is performed on a continuous basis throughout the year. The carrying value of receivables at the end of each reporting period and the amount and timing of recorded provision for any period could differ based on actual experience and changes in judgments made.

The carrying amount of receivables and the related allowance for impairment are disclosed in Note 3 to the financial statements.

(b) Realisation of deferred tax assets (Note 10)

The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised.

The carrying amount of recognised deferred tax assets for 2021 and 2020 is disclosed in Note 10 to the financial statements.

(c) Determining *the lease term (Note 12)*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option over the planning horizon of five years. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

15.2 Critical accounting estimates

(a) Retirement benefit obligation (Note 8)

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The related sensitivity analysis is disclosed in Note 8.

(b) Determining of incremental borrowing rate (Note 12)

Generally, it is not expected that the discount rate implicit in the lease is available so the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions. The rates are determined for each economic environment in which we operate and for each term by adjusting swap rates with funding spreads (own credit spread) and cross-currency basis where appropriate.

As at December 31, 2021, if the Company's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Company's lease liability would be lower/higher by P35,506 and P36,336, respectively.

16 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out in the next page. These policies have been consistently applied to both years presented, unless otherwise stated.

16.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, except for the plan asset component of retirement liability which is measured at fair value.

The preparation of these financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 15.

16.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Company effective January 1, 2021

The Company has adopted the following amendments to existing standards effective January 1, 2021:

- Amendment to PFRS 16, '*Leases*'

  The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  The adoption of the above amendments did not impact the financial statements of the Company since it did not avail of any rent concessions during the year.

- Amendments to PFRS 9, '*Financial Instruments*', PFRS 7 '*Financial Instruments: Disclosures*', PFRS 4, '*Insurance Contracts*' and PFRS 16 '*Leases*'

  Interest Rate Benchmark Reform Phase 2, the amendments to PFRSs issued in August 2020, represents the second phase of the IASB's project on the effects of interest rate benchmark reform. The amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships

  Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform, do not result in the derecognition or a change in the carrying amount of the financial instrument. Instead they require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

  In March 2021, the administrator of Libor, IBA, announced that the publication date of most US dollar Libor tenors has been extended from December 31, 2021 to June 30, 2023. Publication of one-week and two-month tenors ceased after December 31, 2021.

  The adoption of the above amendments did not impact the financial statements of the Company since it does not have any financial instruments or other arrangements that are linked to IBOR.

(b) Amendments to existing standards not yet effective and not early adopted by the Company

The following amendments to existing standards are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Company:

- Amendments to PAS 16, '*Property, Plant and Equipment*'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendments to PFRS 3, '*Business Combinations*'

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and Philippine IFRIC Interpretation 21, Levies.

- Amendment to PAS 37, '*Provisions, Contingent Liabilities and Contingent Assets*'

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Amendments to PAS 1, '*Presentation of Financial Statements*'

  The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*'

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, '*Income Taxes*'

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

- Annual Improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:

  - PFRS 9, '*Financial Instruments*', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - PFRS 16, '*Leases*', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Company.

16.3 Exemption from PFRS for Small and Medium-sized Entities

The FRSC and the SEC have adopted PFRS for Small and Medium-sized Entities (SMEs) which is applicable to all qualified SMEs effective for annual periods beginning on or after January 1, 2010. For Philippine financial reporting purposes, PFRS for SMEs shall cover corporations that:

(a) Have total assets of between P100 million and P350 million or total liabilities of between P100 million and P250 million based on the entity's audited financial statements in prior year;

(b) Are not required to file financial statements under Part II of the Securities Regulation Code (SRC) Rule 68 (unlisted and non-public entities);

(c) Are not in the process of filing financial statements for the purpose of issuing any class of instruments in a public market; and

(d) Are not holders of secondary licenses issued by regulatory agencies such as banks, investment houses, finance companies, securities brokers/dealers, mutual funds and pre-need companies.

Although the Company qualifies as SME, it elected to apply full PFRSs as allowed under the SRC Rule as it is a subsidiary of a Parent Company reporting under full PFRSs.

16.4 Cash in bank

Cash in bank consists of deposits held at call with the Parent Company and an entity under common control (Note 2) which have not earned interest during the reporting periods.

16.5 Financial instruments

A financial instrument is recognised when the Company becomes a party to the contractual provision of the instrument.

16.5.1 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income. Impairment losses are presented in operating expenses in the statement of income.

  The Company's financial assets at amortised cost consist of cash (Note 2) and receivables, net (Note 3) in the statement of financial position.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented in operating expenses in the statement of income.

  The Company does not hold financial assets at FVOCI as at December 31, 2021 and 2020.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented within other income in the period in which it arises.

  The Company does not have financial assets at FVTPL as at December 31, 2021 and 2020.

Equity instruments

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company does not have equity instruments as at December 31, 2021 and 2020.

Impairment

The Company applies the PFRS 9 simplified approach on measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a rolling period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The Company defines a receivable as credit-impaired when the counterparty is more than 90 days past due on its contractual payments. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments.

Impairment losses on receivables are presented in operating expenses in the statement of income. Subsequent recoveries of amounts previously written off are credited to other income.

16.5.2 Financial liabilities

Classification

The Company classifies its financial liabilities in the following categories: (a) financial liabilities at amortised cost; and (b) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value). Financial liabilities under category (b) comprises of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition. Management determines the classification of its financial liabilities at initial recognition.

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Company has no financial liabilities at fair value through profit or loss as at December 31, 2021 and 2020.

Financial liabilities at amortised cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date, which are then classified as non-current liabilities.

The Company's financial liabilities at amortised cost consist of payable to insurance companies, lease liability, and accrued expenses and other current liabilities. Taxes payable and provision for bonus included within accrued expenses and other current liabilities are considered non-financial liabilities (Note 6).

Recognition and measurement

Financial liabilities at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial liabilities are derecognised when the obligation is settled, discharged, cancelled or has expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

There are no financial assets and liabilities offset during and at the end of each reporting period.

16.5.3 Fair value measurement

'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 in the principal market or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) market prices: financial instruments with quoted prices for identical instruments in active markets that the Company can access at the measurement date.
- Level 2 - observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 - significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

16.6 Prepayments and other non-financial assets

Prepayments are recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Prepayments are initially measured at nominal amounts, which are equal to the amount of cash paid. These are derecognised upon delivery of goods or when services have been rendered, through amortisation over a certain period of time, or through use or consumption.

Other non-financial assets consist mainly of excess input VAT and creditable withholding tax which are recognised as assets in the period such input VAT and income tax payments become available as tax credits to the Company and carried over to the extent that it is probable that the benefit will flow to the Company. Input VAT arising mainly from professional fees and rent are applied against the corresponding output VAT arising from receipt of commission income and other transactions subject to output VAT. These are derecognised when there is a legally enforceable right, as prescribed by the applicable laws, to apply the recognised amounts against the related income tax due.

Prepayments and other non-financial assets are included in current assets, except when the related benefits are expected to be received more than twelve (12) months after the reporting period, which are then classified as non-current assets.

16.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortisation, and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, plus any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation and amortisation are calculated using the straight-line method over the estimated useful life of the property and equipment. The estimated useful lives of items of property and equipment are as follows:

	Number of years
Office space	5 or the term of the related lease, whichever is shorter
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 or the term of the related lease, whichever is shorter

The office space pertains to the right-of-use asset arising from leasing arrangement of the office premises (Note 16.19).

The estimated useful life, depreciation and amortisation method and residual values are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from items of property and equipment.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under "Other income" in the statement of income in the year the asset is derecognised.

16.8 Impairment of non-financial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the Company's non-financial assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant change in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

16.9 Payable to insurance companies

Payable to insurance companies pertains to the total amount of premiums already collected by the Company on behalf of the insurance providers. The related accounting policies on recognition, measurement and derecognition of payable to insurance companies are covered in Note 16.5.2.

16.10 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities considered as financial liabilities are recognised in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. The related accounting policies on recognition, measurement and derecognition of accrued expenses and other current liabilities are covered in Note 16.5.2.

Accrued expenses and other current liabilities also include deferred output VAT which are recognised as liability in the period in which the related commission receivables are recognised. These are derecognised once the related receivables are collected and a corresponding output VAT payable is recognised. In addition, statutory contributions and withholding taxes are also included in accrued expenses and other current liabilities which are obligations to remit cash to the relevant government agencies withheld by the Company in the ordinary course of doing its business.

Accrued expenses and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accrued expenses and other current liabilities are removed from the statement of financial position when the obligation is discharged, settled, cancelled or expires.

16.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

16.12 Share capital

Common shares are classified as equity.

16.13 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the statement of financial position in the year in which the dividends are approved by the Board of Directors.

16.14 Revenue recognition

Commission income

The Company applies PFRS 15 where commission income is recognised when there is no unfulfilled performance obligation that could affect the customers' acceptance of the insurance products.

To act as a broker in a sale of an insurance product represents a single performance obligation for the Company. The Company recognises revenue from these transactions over time based on the agreed commission rate in the contract. Revenue, including variable consideration such as performance bonuses and refunds, relating to the contracts is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the revenue is collectible within a credit term of 30 days.

Determining whether the Company is acting as principal or an agent

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

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

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

Generally, commission is recognised when services are rendered or accrued where there is a reasonable degree of certainty as to its collectability. Commissions are accrued based on premium billings prepared upon issuance of policies by the insurer.

The Company, as a broker, may collect premium on behalf of insurance providers. The gross inflows of economic benefits include amounts collected on behalf of the insurance providers. Such amounts collected are not revenue. Instead, revenue is the amount of commission.

16.15 Expense recognition

Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognised when incurred.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

16.16 Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilised. The Company reassesses at each reporting date the need to recognise a previously unrecognised deferred income tax asset.

Deferred income tax liabilities are recognised in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

16.17 Employee benefits

Retirement benefits

The Company has a funded, non-contributory defined benefit (DB) retirement plan and defined contribution (DC) retirement plans covering their permanent employees.

The Company's net obligation in respect of the DB plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of DB obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognised in the statement of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of income.

The Company recognises gains and losses on the settlement of a DB plan when the settlement occurs.

Under the DC plan, the contribution payable to the plan is proportionate to the credit services of the beneficiaries as defined in the Company's retirement plan and is recorded as an expense under "Compensation and personnel-related costs" in the statement of income. Unpaid contribution is recorded under "Accrued expenses and other current liabilities" in the statement of financial position.

The Company, however, is covered under Republic Act (RA) No. 7641, The Philippine Retirement Law, which provides for its qualified employees a defined benefit minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Company accounts for its retirement liability under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DB plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognised in the statement of income.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Short-term benefits

Short-term benefits are those employee benefits (other than termination benefits) that are expected to be settled wholly before twelve (12) months after the end of the annual reporting period in which the employees render the related service.

A short-term employee benefit does not need to be reclassified if the expectations of the timing of settlement change temporarily. However, if the characteristics of the benefit change (such as a change from a non-accumulating benefit to an accumulating benefit) or if a change in expectations of the timing of settlement is not temporary, then it needs to be considered whether the benefit still meets the definition of short-term employee benefits.

Short-term benefits for services received from employees are recognised as an expense during the accounting period in which employee service is rendered, unless another PFRS requires or permits the benefits to be included in the cost of an asset. Any difference between the expense recognised and cash payments made is recognised as a liability or prepayment as appropriate. The expense recognised should be undiscounted.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- The Company's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for termination benefits are recognised at the earlier of the following dates:

- When the Company can no longer withdraw the offer of those benefits; and
- When the Company recognise costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits.

16.18 Share-based payments

Equity-settled

Equity-settled share-based payment arrangements entitle employees to receive equity instruments of the Ultimate Parent Company. The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period with a corresponding credit to "Other reserves" in the statement of financial position.

16.19 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or

(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

(i) Measurement of lease liability

Lease liability includes the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. Interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

After commencement date, A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

(a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or

(b) there is a change in the assessment of an option to purchase the underlying asset, considering the events and circumstances in the context of a purchase option. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

(ii) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(iii) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(iv) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

16.20 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

16.21 Related party relationships and transactions

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 relationship also exists 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 shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

16.22 Events after the reporting date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

17 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No.15-2010 that is relevant to the Company. This information is presented for purposes of filing with the BIR and is not required part of the basic financial statements.

(i) Output VAT

Gross receipts subject to output VAT follow:

	Gross Receipts	Output VAT
Taxable gross receipts		
Commissions	226,861	27,223

Output VAT is based on gross commissions and other income actually or constructively received, determined in accordance with applicable tax laws and regulations. "Commission income" in the statement of income represents income determined using the accrual basis of accounting, thus, different from the gross receipts used for VAT purposes.

During the year, the Company has no reported zero-rated and VAT exempt sales transactions.

(ii) Input VAT

	Amount
Beginning balance	23
Current year's input VAT on domestic purchases of goods and services	288
Input VAT applied or reversed during the year	(280)
Ending balance	31

Input VAT balance as at December 31, 2021 represents input tax credits recognised for the month of December 2021. Said input VAT was applied and closed against output VAT due upon filing of the fourth quarter VAT return in January 2022.

Input VAT is presented as part of "Other current assets" in the Company's statement of financial position.

(iii) Withholding Taxes Paid and Accrued

	Paid	Accrued	Total
Withholding taxes on compensation	5,264	494	5,758
Expanded withholding taxes	638	58	696
	5,902	552	6,454

Accrued withholding taxes are presented as part of "Accrued expenses and other current liabilities" in the statement of financial position.

Creditable withholding tax amounts to P14.51 million and is included under other assets in the statement of financial position.

(iv) Other Taxes and Licenses (Local and National)

	Paid	Accrued	Total
License and permit fees	372	-	372
Fringe benefit tax	216	2	218
	588	2	590

Other taxes and licenses above are reported and paid in accordance with existing regulations of the BIR in the case of national internal revenue taxes, or the concerned local government office, in the case of local taxes.

Other taxes and licenses are included under "Taxes and licenses" account in the Company's statement of income.

Accrued fringe benefit tax is presented as part of "Accrued expenses and other current liabilities" in the statement of financial position.

(v) Tax Assessment

Taxable years 2020, 2019 and 2018 are open tax years as at December 31, 2021.

(vi) Tax Cases

As at December 31, 2021, the Company has no outstanding tax cases.