COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	2	0	0	2	0	9	9	1	8

COMPANY NAME

HSBC INVESTMENT AND INSURANCE BROKERAGE, PHILIPPINES INC.

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

HSBC CENTRE, 3058 FIFTH AVENUE WEST, BONIFACIO GLOBAL CITY, TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS		BSP

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
https://www.hsbc.com.ph/	581-8458	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
8	June 23	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Diana Joyce Tan	dianetan@hsbc.com.ph	(6063) 788-87452	N/A

CONTACT PERSON's ADDRESS

5F HSBC Centre, 3058 Fifth Avenue West, Bonifacio, Global City, Taguig City

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

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

5F HSBC Centre
3058 Fifth Avenue West
Bonifacio Global City
Taguig City 1634
Philippines

T. 632 8581 8458, 7976 8458

www.hsbc.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of HSBC Investment and Insurance Brokerage, Philippines Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022,in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or members.

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________

Sandeep Uppal, Chairman of the Board

Signature ____________

Claudia Santander, President and Chief Executive Officer

Signature ____________

Margarita Patricia W. Foronda, Treasurer

Signed this 15th day of APRIL 2024

Independent Auditor's Report

To the Board of Directors and Shareholder of
HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Insurance Brokers (Philippines), Inc.)
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 Investment and Insurance Brokerage, Philippines Inc. (formerly HSBC Insurance Brokers (Philippines), Inc.) (the "Company") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of income for the years ended December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Insurance Commission under Circular No. 2021-65 and the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010 as disclosed in Notes 18 and 19, respectively, to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 121827
P.T.R. No. 0032961; issued on January 12, 2024 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Section 8-A
Revenue Regulations No. V-1

To the Board of Directors and Shareholder of
HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Insurance Brokers (Philippines), Inc.)
5F HSBC Centre, 3058 Fifth Avenue West
Bonifacio Global City
Taguig City

None of the partners of the firm have any financial interest in HSBC Investment and Insurance Brokerage, Philippines Inc., (formerly HSBC Insurance Brokers (Philippines), Inc.) or any family relationship with its president, directors, or principal shareholder.

The supplementary information on taxes and licenses is presented in Note 19 to the financial statements.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 121827
P.T.R. No. 0032961; issued on January 12, 2024 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 3, 2019

To the Board of Directors and Shareholder of
HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Insurance Brokers (Philippines), Inc.)
5F HSBC Centre, 3058 Fifth Avenue West
Bonifacio Global City
Taguig City

We have audited the financial statements of HSBC Investment and Insurance Brokerage, Philippines Inc. (formerly HSBC Insurance Brokers (Philippines), Inc), (the “Company”) as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024.

In compliance with SRC Rule 68 and based on the certification received from the Company’s corporate secretary and the results of our work done, as at December 31, 2023, the said Company has one (1) shareholder owning one hundred (100) or more shares.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 121827
P.T.R. No. 0032961; issued on January 12, 2024 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Rule 52.1.5
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder of
HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Insurance Brokers (Philippines), Inc.)
5F HSBC Centre, 3058 Fifth Avenue West
Bonifacio Global City
Taguig City

We have audited the financial statements of HSBC Investment and Insurance Brokerage, Philippines Inc. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown in Schedules I to V is presented for purposes of complying with SRC Rule 52.1.5 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 audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with SRC Rule 52.1.5.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 121827
P.T.R. No. 0032961; issued on January 12, 2024 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

This report contains:

1. SEC Form 52-AR
2. Statement of Management's Responsibility
3. Statements of Financial Position
4. Statements of Income
5. Statements of Total Comprehensive Income
6. Statements of Changes in Equity
7. Statements of Cash Flows
8. Notes to the Financial Statements
9. Statement of changes in liabilities subordinated to claims of general creditors [a]
10. Computation of Risk Based Capital Adequacy (RBCA) Requirement pursuant to SRC Rule 49.1-A (Schedule I)
11. Computation for Determination of Reserve Requirements under SRC Rule 49.2-B (Schedule II)
12. Information relating to the Possession or Control Requirements under SRC Rule 49.2-A (Schedule III)
13. A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Schedule IV)
14. Results of the Monthly Securities Count conducted pursuant to SRC Rule 52.1.10 (Schedule V)

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[a] None as at December 31, 2023

SEC Form 52-AR

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

ANNUAL AUDITED FINANCIAL REPORT

Information Required of Brokers and Dealers Pursuant to Rule 52.1 of the Securities Regulation Code.
Report for the period beginning January 1, 2023 and ended December 31, 2023.

IDENTIFICATION OF BROKER DEALER	
Name of Broker/Dealer:	HSBC Investment and Insurance Brokerage, Philippines Inc.
Address of Principal Place of Business:	5F HSBC Centre, 3058 Fifth Avenue West Bonifacio Global City, Taguig City
Name and Phone Number of Person to Contact in regard to this report:	
Name: Chiara Encinares	Tel No: (6063) 788-87452 Fax No: none

IDENTIFICATION OF ACCOUNTANT	
Name of Independent Certified Public Accountant whose opinion is contained in this report:	
Name: Dexter DJ V. Toledaña Partner Isla Lipana & Co.	Tel No: 8459-3023 Fax No: 8845-2806
Address: 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines	
Certified Number: 121827	
PTR Number: 0032961	Date Issued: January 12, 2024

Contents

HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Isurance Brokers (Philippines), Inc.)

Statements of Financial Position
December 31, 2023 and 2022
(In thousands of Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	325,462	364,248
Receivables, net	3	8,521	693
Prepayments		5,519	2,145
Other current assets	4	42,796	24,114
Total current assets		382,298	391,200
Non-current assets			
Right-of-use assets	13	68,407	1,595
Property and equipment, net	5	14,733	-
Security deposits		1,420	-
Retirement benefit assets	9	18,919	38
Deferred tax assets	11	1,577	2,039
Total non-current assets		105,056	3,672
Total assets		487,354	394,872
Liabilities and Equity			
Current liabilities			
Payable to insurance companies		399	434
Current portion of lease liabilities	13	16,711	736
Accrued expenses and other current liabilities	6	43,950	12,814
Total current liabilities		61,060	13,984
Non-current liabilities			
Lease liabilities, net of current portion	13	49,913	804
Contract liabilities, net of current portion	8	7,829	-
Total non-current liabilities		57,742	804
Total liabilities		118,802	14,788
Equity			
Share capital	7	315,000	315,000
Retained earnings	7	46,820	64,305
Other reserves	10	729	729
Remeasurement gains on retirement plan, net of tax	9	6,003	50
Total equity		368,552	380,084
Total liabilities and equity		487,354	394,872

(The notes on pages 1 to 31 are an integral part of these financial statements.)

HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Isurance Brokers (Philippines), Inc.)

Statements of Income
For the years ended December 31, 2023 and 2022
(In thousands of Philippine Peso)

	Notes	2023	2022
Revenues			
Commission income	8	154,507	152,510
Expenses			
Compensation and personnel-related costs	8	(123,176)	(67,521)
Depreciation and amortization	5	(19,738)	(736)
Management fees	12	(9,211)	(3,823)
Professional fees		(6,530)	(4,274)
Occupancy and equipment-related costs		(5,870)	(6,453)
Taxes and licenses		(4,325)	(5,441)
Travel and entertainment		(3,488)	(522)
Reversal of (provision for) impairment loss	3	1,186	(388)
Communication		(467)	(224)
Others		(1,282)	(1,448)
		(172,901)	(90,830)
(Loss) income before income tax		(18,394)	61,680
Income tax benefit (expense)	11	909	(12,375)
Net (loss) income for the year		(17,485)	49,305

(The notes on pages 1 to 31 are an integral part of these financial statements.)

HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Isurance Brokers (Philippines), Inc.)

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(In thousands of Philippine Peso)

	Note	2023	2022
Net (loss) income for the year		(17,485)	49,305
Other comprehensive income			
Item that may not be reclassified to profit or loss			
Remeasurement gains on retirement plan, net of tax	9	5,953	1,814
Total comprehensive (loss) income for the year		(11,532)	51,119

(The notes on pages 1 to 31 are an integral part of these financial statements.)

HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Isurance Brokers (Philippines), Inc.)

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(In thousands of Philippine Peso)

	Share capital (Note 7)	**Retained earnings (Note 7)**	**Other reserves (Note 10)**	**Remeasurement (losses) income on retirement plan, net of tax (Note 9)**	**Total**
At January 1, 2022	15,000	169,580	729	(1,764)	183,545
Comprehensive income					
Net income for the year	-	49,305	-	-	49,305
Other comprehensive income	-	-	-	1,814	1,814
Total comprehensive income for the year	-	49,305	-	1,814	51,119
Transactions with owner					
Additional capital contribution	300,000	-	-	-	300,000
Dividends	-	(154,580)	-	-	(154,580)
Total transactions with owners for the year	300,000	(154,580)	-	-	145,420
At December 31, 2022	315,000	64,305	729	50	380,084
Comprehensive loss					
Net loss for the year	-	(17,485)	-	-	(17,485)
Other comprehensive income	-	-	-	5,953	5,953
Total comprehensive loss for the year	-	(17,485)	-	5,953	(11,532)
At December 31, 2023	315,000	46,820	729	6,003	368,552

(The notes on pages 1 to 31 are an integral part of these financial statements.)

HSBC Investment and Insurance Brokerage, Philippines Inc.
(Operating under the trade name HSBC Wealth)
(Formerly HSBC Isurance Brokers (Philippines), Inc.)

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In thousands of Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
(Loss) income before income tax		(18,394)	61,680
Adjustments for:			
Depreciation and amortisation	5,13	19,738	736
(Reversal of) provision for impairment loss	3	(1,186)	388
Interest expense	13	3,257	66
Retirement benefit expense - defined benefit plan	9	1,326	3
Operating income before working capital changes		4,741	62,873
Changes in operating assets and liabilities			
(Increase) decrease in:			
Receivables		(6,642)	6,149
Prepayments		(4,794)	(219)
Other current assets		(7,262)	2,396
Increase (decrease) in:			
Accrued expenses and other current liabilities		31,136	3,593
Contract liabilities, net of current portion		7,829	-
Payable to insurance companies		(35)	73
Net cash generated from operations		24,973	74,865
Taxes paid		(12,033)	(25,719)
Plan asset reallocation - defined benefit plan	9	(1,215)	2,338
Transfer of plan assets	9	(11,055)	-
Net cash from operating activities		670	51,484
Cash flows from investing activities			
Acquisition of right-of-use assets	13	(1,084)	
Acquisition of property and equipment	5	(15,431)	-
Net cash used in investing activities		(16,515)	-
Cash flows from financing activities			
Payment of lease liabilities			
Principal	13	(19,684)	(687)
Interest	13	(3,257)	(66)
Issuance of shares	7	-	300,000
Dividends paid	7	-	(154,580)
Net cash (used in) provided by financing activities		(22,941)	144,667
Net (decrease) increase in cash in bank		(38,786)	196,151
Cash in bank	2		
At January 1		364,248	168,097
At December 31		325,462	364,248

(The notes on pages 1 to 31 are an integral part of these financial statements.)

1 General information

Corporate information

HSBC Investment and Insurance Brokerage, Philippines Inc. (formerly 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.

On August 10, 2022, the SEC approved the change in the corporate name of HSBC Insurance Brokers (Philippines), Inc. to HSBC Investment and Insurance Brokerage, Philippines Inc. Subsequently, the Board of Directors (BOD) approved for the Company to do business under the name of HSBC Wealth as its trade name, which was approved by the SEC on October 31, 2023.

In 2022, the Company has been granted approval by SEC to update their Articles of Incorporation to become eligible as a distributor of different financial products such as Unit Investment Trust Funds (UITFs) subject to compliance of the respective regulators and partner trust corporation requirements.

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.

Investment brokerage

On July 21, 2023, the SEC issued a Certificate of Registration to the Company to effect the registration and authorisation of the Company to operate as a broker in securities subject on full compliance with the terms and conditions set by the Commission pursuant to the provisions of the Securities Regulation Code and their implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable.

Approval of the financial statements

These financial statements have been approved and authorised for issuance by the BOD on April 15, 2024.

2 Cash

As at December 31, 2023, cash in bank, which consists of deposits held at call which is maintained with related parties, amounts to P325.46 million (2022 - P364.25 million) (Note 12).

As at December 31, 2023, the Company's cash in bank amounting to P1.65 million (2022 - P1.68 million) is earmarked for the settlement of premiums received for remittance to partner insurance companies. This includes client's money amounting to P0.40 million (2022 - P0.43 million) and a maintaining balance of P1.25 million (2022 - P1.25 million) as required by the counterparty bank. The Company's personnel maintains a separate file to monitor the movement of client's money account.

3 Receivables, net

The account as at December 31 consists of:

	2023	2022
Commission receivables from:		
Insurance brokerage activities	8,325	1,923
Investment brokerage activities	14	-
Other receivables		
Insurance brokerage activities	-	159
Investment brokerage activities	427	84
	8,766	2,166
Less: Allowance for impairment on receivables	245	1,473
	8,521	693

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

The movement of allowance for impairment on receivables for the years ended December 31 are as follows:

	2023	2022
At January 1	1,473	1,085
Provision for (reversal of) impairment loss	(1,186)	388
Write-offs	(42)	-
At December 31	245	1,473

4 Other current assets

The account as at December 31 consists of the following:

	2023	2022
Creditable withholding taxes	39,979	23,448
Input value-added tax	2,263	666
Others	554	-
	42,796	24,114

5 Property and equipment, net

Details of property and equipment as at December 31 follow:

	Furniture, fixture and equipment	Leasehold improvements	Total
Cost			
At January 1 and December 31, 2022	7,646	1,243	8,889
Additions	15,431	-	15,431
At December 31, 2023	23,077	1,243	24,320
Accumulated depreciation and amortisation			
At January 1 and December 31, 2022	7,646	1,243	8,889
Depreciation and amortisation	698	-	698
At December 31, 2023	8,344	1,243	9,587
Net book value			
At December 31, 2022	-	-	-
At December 31, 2023	14,733	-	14,733

As at December 31, 2023 and 2022, 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 as at December 31 consists of the following:

	Note	2023	2022
Accrued expenses		18,934	1,483
Contract liabilities	8	10,438	-
Output VAT		8,312	872
Provision for bonuses		7,672	6,534
Withholding tax payable		2,865	2,478
Fringe benefit tax payable		2,405	10
Deferred output VAT		956	232
Due to related parties	12	197	1,205
		51,779	12,814
Non-current portion of contract liabilities		(7,829)	-
Accrued expenses and other current liabilites		43,950	12,814

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

Contract liabilities represent the technology and other investments funding received by the Company in 2023 on a cash reimbursement basis amounting to P13.05 million which will be amortised over a period of 5 years. The Company recognized revenues amounting to P2.61 million for the year ended December 31, 2023 (2022 - nil) (Note 8), which is presented as part of Commission income in the statement of income.

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

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

7 Equity

(a) Share capital

As at December 31, 2023 and 2022, the Company has 315,000,000 authorised, issued, and outstanding common shares with a par value of P1.00 per share.

(b) *Cash dividends*

There were no dividends declared for the year ended December 31, 2023.

On April 25, 2022, the BOD approved the declaration of cash dividends of P10.31 per share on the common share of the Company or a total of P154.58 million.

(c) Capital management

The Company defines capital as share capital and retained earnings. The primary objective of the Company's capital management policy are to ensure that the Company complies with externally imposed capitalisation requirements 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, 2023 and 2022.

Minimum capital or net worth requirements

For registration and subsequent renewal of license of brokers and dealers, SRC Rule 28.1, Registration of Brokers and Dealers, requires brokers and dealers to maintain a minimum capital requirement amounting to P100.00 million. As at December 31, 2023 and 2022, share capital of the Company amounted to P315 million.

In compliance with Insurance Memorandum Circular No. 1-2006 issued by the IC, the Company, which is also operating as an insurance broker, is required to maintain a net worth of P10 million. As at December 31, 2023 and 2022, the Company's net worth 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, 2023 and 2022.

Regulatory qualifying capital

The Risk Based Capital Adequacy (RBCA) ratio of a broker-dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110%.

NLC consists of total equity adjusted for deferred tax assets, revaluation reserves and total ineligible assets. Also, the Aggregate Indebtedness (AI) of every broker-dealer should not exceed 2,000.00% of its NLC and at all times shall have maintain NLC of at least P5.00 million or 5% of the AI, whichever is higher.

Further, based on SEC (MC) No. 16 series of 2004, every broker-dealer is expected to comply with all the requirements of the RBCA rules.

As at December 31, 2023, the Company is in compliance with the RBCA ratio as follows:

	Amount
Equity eligible for net liquid capital	366,975
Less: Ineligible assets	160,560
Net liquid capital (NLC)	206,415
Less: Operational risk capital requirement	36,176
Position risk capital requirement	-
Credit risk capital requirement	-
Total risk-based capital requirement (TRCR)	36,176
Net RBCA margin	170,239
Aggregate indebtedness (AI)	118,802
5% of Aggregate indebtedness	5,940
Required NLC (5% of AI or 5 million, whichever is higher)	5,940
Net risk-based capital excess (NLC less 5% of AI)	200,475
Ratio of AI to NLC	57.55%
RBCA Ratio (NLC/TRCR)	570.59%

The following are the definition of terms used in the computation:

Equity eligible for net liquid capital - This refers to the equity as per books adjusted for all other liabilities which in substance can be treated as sources of capital, less ineligible equity items.

Ineligible assets - These pertain to fixed assets and assets which cannot be readily converted into cash.

Operational risk requirement - This amount is required to cover a level of operational risk. Operational risk is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and system which include among others risks of fraud, operational or settlement failure and shortage of liquid resources or from external events.

Aggregate indebtedness - This is the total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' accounts having short positions in securities, but subject to certain exclusions.

8 Income and expenses

The account for the years ended December 31 consists of the following:

2023	Insurance	Investment	Total
Commission income	91,024	15,090	106,114
Trailer fees and other performance-based incentives	42,209	3,574	45,783
Others (Note 6)	2,610	-	2,610
	135,843	18,664	154,507

2022	Insurance	Investment	Total
Commission income	115,948	2,948	118,896
Trailer fees and other performance-based incentives	33,443	171	33,614
	149,391	3,119	152,510

In September 2022, the Company launched its investment brokerage activities (Note 1).

On August 8, 2023, the Company entered into an exclusive local distribution arrangement with Allianz PNB Life (“Allianz”) to distribute their insurance products.

The compensation and personnel-related costs for the years ended December 31 consists of the following:

	2023		
	Insurance	Investment	Total
Direct cost	44,827	59,498	104,325
Indirect cost	8,100	10,751	18,851
	52,927	70,249	123,176

	2022		
	Insurance	Investment	Total
Direct cost	40,380	16,808	57,188
Indirect cost	7,296	3,037	10,333
	47,676	19,845	67,521

9 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:

	2023	2022
Salaries and wages	104,829	57,513
Post-employment benefits	9,671	4,507
Short-term benefits	8,676	5,501
	123,176	67,521

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

Post-employment benefits for the year ended December 31, 2023 pertain to retirement benefit expense for DB plan amounting to P1.33 million (2022 - P0.01 million) and DC plan amounting to P8.35 million (2022 - P4.50 million).

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
Balance at January 1, 2023	(35,511)	35,549	38
Included in profit or loss			
Current service cost	(1,739)	-	(1,739)
Net interest cost	(2,556)	2,970	414
	(4,295)	2,970	(1,325)
Included in OCI			
Remeasurement gain (loss) arising from:			
Experience adjustment	10,353	-	10,353
Change in assumptions	(2,035)	-	(2,035)
Return on plan assets excluding interest income	-	(382)	(382)
	8,318	(382)	7,936
Others			
Contributions	-	5,593	5,593
Transfers payments	5,462	-	5,462
Plan asset reallocation (Note 12.3)	-	1,215	1,215
Balance at December 31, 2023	(26,026)	44,945	18,919

	Defined benefit obligation	Fair value of plan assets	Net defined benefit asset (liability)
Balance at January 1, 2022	(5,196)	4,999	(197)
Included in profit or loss			
Current service cost	-	-	-
Net interest cost	(258)	255	(3)
	(258)	255	(3)
Included in OCI			
Remeasurement (loss) gain arising from:			
Experience adjustment	(6,634)	-	(6,634)
Change in assumptions	7,159	-	7,159
Return on plan assets excluding interest income	-	2,051	2,051
	525	2,051	2,576
Others			
Benefits paid	3,057	(3,057)	-
Transfers payments	(33,639)	33,639	-
Plan asset reallocation (Note 12.4)	-	(2,338)	(2,338)
Balance at December 31, 2022	(35,511)	35,549	38

Transfer payments relate to transfer of employees within the HSBC Group.

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

	2023	2022
Bonds	75.18%	79.24%
Equity securities	7.99%	7.90%
Cash and cash equivalents	16.83%	12.86%
	100.00%	100.00%

The movements of remeasurement gains in equity at December 31 are as follows:

	2023	2022
Balance at beginning of year	68	(2,508)
Remeasurement gains (losses) on obligation arising from:		
Experience adjustment	10,353	(6,634)
Change in financial assumption	(2,035)	7,159
Remeasurement (losses) gain on plan assets	(382)	2,051
	7,936	2,576
Total remeasurement gains before tax effect	8,004	68
Tax effect	(2,001)	(18)
Balance at end of year, net of tax effect	6,003	50

There are no expected contributions to the DB plan in 2024.

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

	2023	2022
Discount rate	6.20%	7.30%
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, 2023, the weighted-average duration of the DB obligation is 7.53 years (2022 - 11.07 years).

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

	2023	2022
Between 1 to 2 years	822	1,000
Between 2 to 5 years	11,166	16,236
Between 5 to 10 years	50,111	77,552

Sensitivity analysis

As at December 31, 2023 and 2022, 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 DC plan retirement benefit expense is presented as the total amount of: (a) actual contributions to the DC plan amounting to P6.69 million (2022 - P4.70 million); and (b) there are no applied DC plan benefit forfeitures during the year relating to employer contributions that did not vest to various employees upon their resignation (2022 - P0.20 million).

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	Participating Company			Total (Employee and Participating
Employee	Basic	Matching	Total	Company)
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:

	2023	2022
Employer contributions	6,686	4,701
Employee-member contributions	2,104	1,352
	8,790	6,053

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, 2023 and 2022, 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, 2023	(55,903)	57,092	1,189
Included in profit or loss			
Current service cost	(8,533)	-	(8,533)
Net interest cost	(4,319)	4,406	87
	(12,852)	4,406	(8,446)
Included in OCI			
Remeasurement gain (loss)			
Actuarial gain arising from experience adjustment	5,657	-	5,657
Return on plan assets excluding interest income	-	(1,325)	(1,325)
	5,657	(1,325)	4,332
Others			
Contributions paid by the Company	-	6,686	6,686
Benefits paid by the Company	11,835	(11,835)	-
Transfer payments	2,104	(2,104)	-
Balance at December 31, 2023	(49,159)	52,920	3,761

	Defined benefit obligation	Fair value of plan assets	Net defined benefit asset (liability)
Balance at January 1, 2022	(29,268)	29,271	3
Included in profit or loss			
Current service cost	(5,026)	-	(5,026)
Net interest cost	(1,538)	1,539	1
	(6,564)	1,539	(5,025)
Included in OCI			
Remeasurement gain (loss)			
Actuarial gain arising from experience adjustment	9,313	-	9,313
Return on plan assets excluding interest income	-	(7,803)	(7,803)
	9,313	(7,803)	1,510
Others			
Contributions paid by the Company	-	4,701	4,701
Benefits paid by the Company	5,953	(5,953)	-
Transfer payments	(35,337)	35,337	-
Balance at December 31, 2022	(55,903)	57,092	1,189

In 2023 and 2022, transfers relate to transfer of employees within the HSBC Group.

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

	2023	2022
Bonds	88.74%	88.67%
Equity securities	7.48%	8.84%
Cash and cash equivalents	3.78%	2.49%
	100,00%	100.00%

The expected contribution to the DC retirement plan in 2024 is P8.64 million.

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

	2023	2022
Discount rate	6.00%	7.30%
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, 2023, the weighted-average duration of the obligation under DB plan with minimum guarantee is 11.83 years (2022 - 11.17 years).

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

	2023	2022
Between 1 to 2 years	962	1,258
Between 2 to 5 years	7,443	1,939
Between 5 to 10 years	22,026	6,835

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.

10 Share-based payments

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, 2023 and 2022, the Company's other reserves account amounts to P0.73 million.

11 Income taxes

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

	2023	2022
Current	613	14,298
Deferred	(1,522)	(1,923)
	(909)	12,375

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

	2023	2022
Deferred tax charged to statement of income:		
Provision for bonus	1,918	1,633
Group charges	4	301
Provision for estimated expenses	560	147
Lease payments	207	(24)
Minimum corporate income tax (MCIT)	613	-
Net operating loss carry-over (NOLCO)	277	-
	3,579	2,057
Deferred tax credited to other comprehensive income:		
Actuarial gain taken to equity	(2,001)	(18)
	1,578	2,039

The excess of MCIT over regular corporate income tax (RCIT) can be carried over and applied against any RCIT liability for the next three (3) years. For RCIT purposes, NOLCO can be carried and applied as a deduction against taxable income for a three-year period from the year of inception.

The reconciliation (in %) between the statutory income tax rate and the effective income tax rates follows:

	2023	2022
Statutory income tax rate	25.00	25.00
Tax effects of:		
Non-deductible expenses	(16.83)	0.61
Non-taxable income	1.61	-
MCIT and NOLCO	(4.84)	-
OSD	-	(5.55)
Effective income tax rate	4.94	20.06

12 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:

	2023		2022		Terms
	Transactions charged (credited) to profit or loss	Outstanding balance receivable (payable)	Transactions charged (credited) to profit or loss	Outstanding Balance receivable (payable)	
Cash in bank					- Withdrawable in cash on demand - Non-interest bearing - See Note 12.1
Parent Company	-	325,452	-	364,121	
Entity under common control	-	-	-	117	
Management fees					- Unguaranteed and unsecured - Payable in cash on demand at gross - Non-interest bearing - See Note 12.2
Parent Company	9,211	(197)	3,823	(1,205)	
Liability for transfer of plan assets					- Unguaranteed and unsecured - Payable in cash on demand at gross - Non-interest bearing - See Note 12.3
Entities under common control	-	-	-	-	
Occupancy and equipment related costs					- Unguaranteed and unsecured - Payable in cash on demand at gross - Non-interest bearing - See Note 12.4
Parent Company	4,984	(14)	6,479	-	

Outstanding payable to Parent Company and entities under common control is presented within accrued expenses and other current liabilities. Other income in 2023 represents one-off releases of accrued service fees payable to and as advised by the Ultimate Parent Company and an entity under common control.

12.1 Cash in bank

As at December 31, 2023 and 2022, cash in bank pertains to deposits made with the Parent Company (and with an entity under common control in 2022) which are outstanding.

12.2 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.

In 2021, a one-time notional asset transfer out amounting to P2.34 million was reflected in order to align the return on assets per entity. The amount is has been fully settled in 2022 (Note 9).

12.3 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 P1.22 million was recognised in 2023 order to reflect the movement to another employer participating within the multi-employer benefit plan. This has been fully settled as at December 31, 2023.

12.4 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:

	2023	2022
Short-term employee benefits	31,940	19,649
Post-employment benefits	1,986	11,770
	33,926	31,419

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

Honorarium paid to non-executive directors of the Company amounts to P0.57 million (2022 - P0.77 million).

13 Lease contract

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” in the statement of financial position.

Amounts recognised in the statement of financial position

	2023	2022
Right-of-use assets (Office space)		
Cost	90,996	5,144
Accumulated depreciation	(22,589)	(3,549)
	68,407	1,595
Lease liabilities		
Current	16,711	736
Non-current	49,913	804
	66,624	1,540

The movement in right-of-use assets for the years ended December 31 follows:

	2023	2022
Cost		
At January 1	5,144	2,917
Additions	85,852	2,227
At December 31	90,996	5,144
Accumulated depreciation		
At January 1	3,549	2,813
Depreciation	19,040	736
At December 31	22,589	3,549
Net book value		
At December 31, 2022	1,595	104
At December 31, 2023	68,407	1,595

The movement in lease liabilities for the years ended December 31 follows:

	2023	2022
At January 1	1,540	2,227
Additions, net of modifications	84,768	-
Payments	(22,941)	(753)
Amortisation of interest	3,257	66
At December 31	66,624	1,540

In 2023, additions in right-of-use assets and lease liabilities amounting to P84.77 million are non-cash investing and financing activities.

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 6.53% (2022 - 3.91%).

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

	2023	2022
Depreciation expense on right-of-use asset	19,040	736
Interest expense on lease liability	3,257	66
	22,297	802

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

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.

15.1 Market risk

15.1.1 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, 2023 and 2022, the Company is not exposed to any foreign currency risk as the Company has no significant foreign currency denominated assets and liabilities.

15.1.2 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, 2023 and 2022, 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.

15.1.3 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.

15.2 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	2023	2022
Cash in bank	2	325,462	364,238
Receivables, net	3	8,521	693
Security deposits		1,419	-
		335,402	364,931

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:

	2023			
	High grade	Standard grade	Low grade	Total
Cash in bank				
Current	325,462	-	-	325,462
Receivables				
Current	8,507	-	245	8,752
Within 30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	-	-	14	14
	8,507	-	259	8,766
	333,969	-	259	334,228

	2022			
	High Grade	Standard Grade	Low Grade	Total
Cash in bank				
Current	364,248	-	-	364,248
Receivables				
Current	1,222	-	34	1,256
Within 30 days	-	-	-	
31-60 days	-	20	-	20
61-90 days	-	19	29	48
More than 90 days	-	-	842	842
	1,222	39	905	2,166
	365,470	39	905	366,414

15.3 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:

	2023				
	On demand	Due within 1 month	Up to 1 year	1 to 5 years	Total
Financial liabilities					
Payable to insurance companies	-	399	-	-	399
Accrued expenses and other current liabilities*	197	-	18,934	-	19,131
Lease liabilities	-	-	21,640	53,920	75,560
	197	399	40,574	53,920	95,090

**Excluding taxes payable, provision for bonuses, and contract liabilities*

	2022				
	On demand	Due within 1 month	Up to 1 year	1 to 5 years	Total
Financial liabilities					
Payable to insurance companies	-	434	-	-	434
Accrued expenses and other current liabilities*	1,205	-	1,483	-	2,688
Lease liabilities	-	-	736	830	830
	1,205	434	2,219	830	4,688

**Excluding taxes payable and provision for bonuses*

Fiduciary ratio requirement

In compliance with Section 315 of the Amended Insurance Code (Republic Act 10607), premiums collected by the Company from its customers as an insurance broker on behalf of its insurance partners shall be held by the Company in a fiduciary capacity and shall not be misappropriated or converted for its own use. To implement this requirement, the IC issued Circular Letter (CL) No. 2021-65, '*Revised On-Site Examination / Off-Site Verification Rules and Procedures*', prescribing the fiduciary ratio requirement for licensed insurance brokers. The fiduciary ratio is a measure to assess the Company's conduct of handling premiums from policyholders, given that a broker is expected to be acting in a fiduciary capacity. The requirement is applicable to the Company considering that it maintains both credit and direct remittance agreement with its insurance partners.

The fiduciary ratio is computed by dividing the total fiduciary assets over fiduciary liabilities. The fiduciary ratio to be maintained shall be 1:1. Amounts are gross of commissions, allowances for impairment, taxes, fees and other charges. The fiduciary assets and liabilities are in accordance with IC CL No. 2021-69 or the Revised Standard Chart of Accounts for Insurance Brokers.

As at December 31, the Company's fiduciary ratio follows:

	2023	2022
Fiduciary assets - client's money in bank	399	434
Fiduciary liabilities - premiums payable	399	434
Fiduciary ratio	1:1	1:1

As at December 31, 2023 and 2022, the Company is in compliance with the requirement of the IC CL No. 2021-65.

15.4 Fair value measurement

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

As at December 31, 2023 and 2022, the Company has no financial instruments recognised at fair value.

16 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.

16.1 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) Determining the lease term (Note 13)

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.

16.2 Critical accounting estimates

(a) Retirement benefit obligation (Note 9)

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 9.

(b) Determining of incremental borrowing rate (Note 13)

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, 2023, if the Company's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P1.21 million and P1.24 million, respectively (2022 - P0.20 million lower/higher).

17 Summary of material accounting policies

The information on the material 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.

17.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) 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 and Sustainability Reporting Standards Council (FSRSC) 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 PFRS 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 16.

17.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Company effective January 1, 2023

The following amendments to existing standards have been adopted by the Company effective January 1, 2023:

- Amendments to PAS 1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2, *'Making Materiality Judgments'*

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

  To support this amendment, PFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted in changes in the accounting policies disclosed by the Company.

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

  The amendment to PAS 8 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, whereas 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 companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

  The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) 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 recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Company's financial statements.

(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, 2023 reporting period and have not been early adopted by the Company:

- Amendments to PFRS 16, '*Leases'*

  The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The amendments to existing standards are not expected to have a material impact on the Company's financial statements and on foreseeable future transactions.

17.3 Exemption from PFRS for Small and Medium-sized Entities

The FSRSC 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 a medium-sized entity, it elected to apply full PFRS as allowed under the SRC Rule as it is a subsidiary of a Parent Company reporting under full PFRS.

17.4 Financial instruments

17.4.1 Financial assets

Classification

The Company classifies its financial assets at amortised cost due to the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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 transaction costs that are directly attributable to the acquisition of the financial asset.

The Company's financial assets 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), receivables, net (Note 3) and security deposits in the statement of financial position.

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.

17.5 Financial liabilities

Classification

The Company classifies its financial liabilities at amortised cost. 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 liabilities, and accrued expenses and other current liabilities. Taxes payable, provision for bonus and contract liabilities 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.

17.6 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.

17.7 Prepayments, security deposits 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.

Security deposits pertain to rental advances made to lessors. These are measured initially at fair value. After initial recognition these are subsequently measured at amortized cost using the effective interest method.

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, security deposits 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.

17.8 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
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 or the term of the related lease, whichever is shorter

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.

17.9 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.

17.10 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.

17.11 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 or investment product represents a single performance obligation for the Company. The Company recognises revenue from these transactions at the date that all conditions to earn commission has been met 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 an insurance 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.

Other income

Other sources of revenue include interest income and other income. Other income are recognized in profit or loss when the Company's right to receive payment is established or when earned. Interest income, if any, is accounted for under PFRS 9 using effective interest method.

17.12 Income taxes

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.

17.13 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 retirement obligation arising from the DC 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.

17.14 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.

17.15 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, which is five (5) years or the term of the related lease, whichever is shorter.

(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.

18 Supplementary information required by the Insurance Commission

Presented below are the additional information required by Circular Letter (CL) 2021-65 issued on November 5, 2021. This information is presented for purposes of filing with the IC and is not required part of the basic financial statements.

(i) Segregation of clients' money account

As at December 31, 2023, the Company's client's money amounts to P0.40 million which is included in the cash in bank. The Company's personnel maintains a separate file to monitor the movement of client's money account.

(ii) Minimum capital or net worth requirements

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 P10.00 million. As at December 31, 2023, the Company has complied with the requirement.

(iii) Fiduciary ratio requirements

In compliance with Section 315 of the Amended Insurance Code (Republic Act 10607), premiums collected by the Company from its customers as an insurance broker on behalf of its insurance partners shall be held by the Company in a fiduciary capacity and shall not be misappropriated or converted for its own use. To implement this requirement, the IC issued Circular Letter (CL) No. 2021-65, '*Revised On-Site Examination/Off-Site Verification Rules and Procedures*', prescribing the fiduciary ratio requirement for licensed insurance brokers. The fiduciary ratio is a measure to assess the Company's conduct of handling premiums from policyholders, given that a broker is expected to be acting in a fiduciary capacity. The requirement is applicable to the Company considering that it maintains both credit and direct remittance agreement with its insurance partners.

The fiduciary ratio is computed by dividing the total fiduciary assets over fiduciary liabilities. The fiduciary ratio to be maintained shall be 1:1. Amounts are gross of commissions, allowances for impairment, taxes, fees and other charges. The fiduciary assets and liabilities are in accordance with IC CL No. 2021-69 or the Revised Standard Chart of Accounts for Insurance Brokers.

As at December 31, 2023, the Company's fiduciary ratio follows:

	2023
Fiduciary assets - client's money in bank	399
Fiduciary liabilities - premiums payable	399
Fiduciary ratio	1:1

As at December 31, 2023, the Company is in compliance with the requirement of the IC CL No. 2021-65.

(iv) Offsetting arrangements

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.

19 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	158,617	19,034

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
At January 1	97
Current year's input VAT on domestic purchases of goods and services	4,013
Input VAT applied or reversed during the year	(3,280)
At December 31	830

Input VAT balance represents input tax credits recognised for the month of December 2023. Said input VAT was applied and closed against output VAT due upon filing of the fourth quarter VAT return in January 2024.

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

(iii) Withholding taxes

	Paid	Accrued	Total
Withholding taxes on compensation	22,422	1,453	23,875
Expanded withholding taxes	1,561	338	1,899
	23,983	1,791	25,774

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 P39.98 million and is included under other assets in the statement of financial position.

(iv) Other taxes and licenses (local and national)

	Amount
License and permit fees	1,445
Fringe benefit tax	2,880
	4,325

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 or cases

On August 7, 2023, the Company has received a Letter of Authority from the BIR for the investigation of its internal revenue tax liabilities for taxable year 2021. As at December 31, 2023, the Company has already submitted the requested documents but the BIR is yet to provide any feedback.

SCHEDULE I

HSBC Investments and Insurance Brokerage, Philippines Inc.
Computation of Risk Based Capital Adequacy (RBCA)
Requirement pursuant to SRC Rule 49.1-A
December 31, 2023
(All amounts in thousands of Philippine Peso, unless otherwise stated)

Total assets	487,354
Less: Total liabilities	(118,802)
Equity per books	368,552
Adjustments to equity per books	
Add (Deduct):	
Deferred income tax	(1,577)
Total adjustments to equity per books	(1,577)
Equity eligible for net liquid capital	366,975
Less: Ineligible assets	
Commission receivable	8,766
Prepayments	5,519
Security deposits	1,420
Other current assets	42,796
Retirement assets	18,919
Property and equipment, net	14,733
Right-of-use assets, net	68,407
Total ineligible assets	160,560
Net liquid capital (NLC)	206,415
Less: Operational Risk Capital Requirement	36,176
Position Risk Capital Requirement	-
Credit Risk Capital Requirement	-
Total Risk Based Capital Requirement	36,176
Net RBCA margin	170,239
Aggregate indebtedness (AI), net of exclusion	118,802
5% of Aggregate indebtedness	5,940
Required NLC (5% of AI or 5 million, whichever is higher)	5,940
Net risk-based capital excess (NLC less 5% of AI)	200,475
Ratio of AI to NLC	57.55%
RBCA Ratio (NLC/TRCR)	570.59%

SCHEDULE II

HSBC Investments and Insurance Brokerage, Philippines Inc.
Computation for Determination of Reserve Requirements under SRC Rule 49.2-B
December 31, 2023

Free credit balance and other credit balances in the customer securities accounts	
Trade payables to customers	N/A
Trade payables to clearing house	N/A
Aggregate credit items	N/A
Debit balances in customers' cash and margin accounts excluding unsecured accounts and doubtful of collection	
Trade receivables from customers	N/A
Trade receiavables from clearing house	N/A
Aggregate debit items	N/A
Less: Unsecured portion	N/A
Subtotal	N/A
Less: 1% total	N/A
Aggregate debit items	N/A
Excess of total credits over total debits	N/A
Required reserve	N/A
Special reserve account balance prior to computation	N/A

SCHEDULE III

HSBC Investments and Insurance Brokerage, Philippines Inc.
Information relating to the Possession or Control Requirements under SRC Rule 49.2-A
December 31, 2023

1. Customers' fully paid securities and excess margin securities not in the broker's or dealer's possession or control as at December 31, 2023 for which instructions to reduce to possession or control had been issued as at the report date but for which the required action was not taken by respondent within the time frame specified under SRC Rule 49.2

Market valuation	Nil
Number of items	Nil

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as at the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under SRC Rule 49.2

Market valuation	Nil
Number of items	Nil

SCHEDULE IV

HSBC Investments and Insurance Brokerage, Philippines Inc.
A Report Describing Any Material Inadequacies Found to Exist or Found to have Existed
Since the Date of the Previous Audit
December 31, 2023

We have completed our audit of the financial statements of HSBC Investment and Insurance Brokerage, Philippines Inc. (the “Company”) as at and for the year ended December 31, 2023 during which we considered the Company’s internal controls in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls.

During our audit of the financial statements of the Company, nothing came to our attention involving the design or operating effectiveness of the Company’s internal controls relative to its practices and procedures for safeguarding securities that we consider, in our judgement, a material inadequacy, which encompasses either a material weakness in internal control or a material inadequacy in the practices and procedures for safeguarding securities which could reasonably be expected to cause any of the following:

- Inhibit the Company from completing securities transactions or promptly discharging its responsibilities to customers or to other broker dealers or creditors;

- Result in material financial loss;

- Result in material misstatements of the Company’s financial statements; and

- Result in violations of the Securities and Exchange Commission’s (the “Commission") recordkeeping or financial responsibility rules to an extent that could reasonably be expected to result in the conditions described above.

This report is solely for the information and use of the Board of Directors, shareholder, management, the Commission and the Philippine Stock Exchange, Inc. in their regulation of registered broker dealers, and should not be used for any other purpose.

SCHEDULE V

HSBC Investments and Insurance Brokerage, Philippines Inc.
Results of the Monthly Securities Count conducted pursuant to SRC Rule 52.1.10
December 31, 2023
(All amounts in thousands of Philippine Peso, except number of shares)

		Number of shares		
Security number	PCD	In-transit	IN BOX	Total market value
N/A	N/A	N/A	N/A	N/A

HSBC Investments and Insurance Brokerage, Philippines Inc.
Schedule of Financial Soundness Indicators
As at December 31, 2023 and 2022
(All amounts in thousands of Philippine Peso, unless otherwise stated)

All secondary licensees of the Commission (financing companies, broker dealer of securities and underwriters) and public companies must present schedule showing financial soundness indicators in two comparative periods, as follows:

Ratio	Formula		Current year	Prior year
Current ratio	Total current assets divided by total current liabilities		6.26	27.97
	Total current assets	382,298		
	Divided by: Total current liabilities	61,060		
	Liquidity ratio	6.26		
Acid-test ratio	Total quick assets divided by total current liabilities		5.47	26.10
	Cash	325,462		
	Receivables	8,521		
	Total quick assets	333,983		
	Divided by: Total current liabilities	61,060		
	Acid-test ratio	5.47		
Solvency ratio	Total assets divided by total liabilities		4.10	26.70
	Total assets	487,354		
	Divided by: Total liabilities	118,802		
	Solvency ratio	4.10		
Debt-to-equity ratio	Total liabilities divided by total equity		0.32	0.04
	Total liabilities	118,802		
	Divided by: Total equity	368,552		
	Debt-to-equity ratio	0.32		
Asset-to-equity ratio	Total assets divided by total equity		1.32	1.04
	Total assets	487,354		
	Divided by: Total equity	368,552		
	Asset-to-equity ratio	1.32		
Interest rate coverage ratio	Earnings before interest and taxes divided by interest expense		(4.65)	935.55
	Earnings before interest and taxes	(15,137)		
	Divided by: Interest expense	3,257		
	Interest rate coverage ratio	(4.65)		
Return on asset	Net income divided by total assets		(0.04)	0.12
	Net loss	(17,485)		
	Divided by: Total assets	487,354		
	Return on asset ratio	(0.04)		
Return on equity	Net income divided by total equity		(0.05)	0.13
	Net loss	(17,485)		
	Divided by: Total equity	368,552		
	Return on asset ratio	(0.05)		