# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4 2 5 4 2

**Company Name**

**ST. PETER LIFE PLAN, INC.**

**Principal Office (No./Street/Barangay/City/Town/Province)**

ST. PETER CORPORATE CENTER
999 EDSA BRGY. VETERANS
VILLAGE, QUEZON CITY

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AFS | CRMD | |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| www.stpeter.com.ph | 3717757 | N/A |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 19 | 1st Friday of February | **December 31, 2022** |

## 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 |
|---|---|---|---|
| Jonathan B. Vitangcol | tanbv@stpeter.com.ph | 3717757 | 09178001010 |

Contact Person's Address

Unit 8 Aspen St. Ayala Ferndale Homes, Pasong Tamo, Quezon 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 therof with information and complete details of the new contact person designated.

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

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ACYATAN & CO.
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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The Board of Directors and Stockholders
**ST. PETER LIFE PLAN, INC.**
St. Peter Corporate Center, 999 EDSA Quezon City 1101 Philippines

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the accompanying financial statements of **ST. PETER LIFE PLAN, INC.** (the "Company"), which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and Notes to Financial Statements, including a summary of significant accounting policies.

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

*Basis of Opinion*

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 3 to the financial statements, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

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

- Conclude on the appropriateness 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

*Report on Other Legal and Regulatory Requirements*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 as disclosed in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**ACYATAN & CO., CPAs**
BOA/PRC Accreditation No. 0141
Issued on 12-11-2019 Expiring on 07-10-2023
IC Accreditation No. 0141-IC (Group A)
Issued on 12-16-2020; Expiring 12-15-2024
SEC Accreditation No. 0141-SEC (Group C)
Issued on 10-07-2021 Expiring on 10-06-2025

AJAcyatan-Gu

**ARMINDA T. ACYATAN-GUERRERO**
Managing Partner
CPA Certificate No. 85531
IC Accreditation No. 85531-IC (Group A)
Issued on 12-16-2020; Expiring 12-15-2025
SEC Accreditation No. 85531-SEC (Group C)
Issued on 10-07-2021 Expiring on 10-06-2025
TIN 139-584-275
BIR A.N. 07-100170-001-2020
Issued on 09-14-2020 Expiring on 09-13-2023
PTR No. 3124255
Issued on 01-05-2023 at Mandaluyong City

April 03, 2023
Mandaluyong City-Philippines

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# INDEPENDENT AUDITORS' REPORT
## (In compliance with SRC Rule 68)

The Board of Directors and Stockholders
**ST. PETER LIFE PLAN, INC.**
St. Peter Corporate Center, 999 EDSA Quezon City 1101 Philippines

We have audited the accompanying financial statements of **ST. PETER LIFE PLAN, INC.** (the "Company") for the calendar year ended December 31, 2022, on which we have rendered the attached report dated April 03, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has nine (9) stockholders owning one hundred (100) or more shares each of the Company's capital stock as of December 31, 2022, as disclosed in Note 19 to the financial statements.

**ACYATAN & CO., CPAs**
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April 03, 2023
Mandaluyong City-Philippines

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**ST. PETER LIFE PLAN, INC.**
**STATEMENTS OF FINANCIAL POSITION**
**December 31, 2022 and 2021**

| *(In Philippine Peso)* | *Notes* | **2022** | 2021 |
|---|---|---|---|
| | | **ASSETS** | |
| Cash and Cash Equivalents | *6* | **1,135,584,749** | 1,787,343,023 |
| Financial Assets | *4,5,7* | **4,679,917,254** | 4,631,726,746 |
| Investment in Trust Fund | *4,5,8* | **85,577,951,521** | 79,733,397,903 |
| Other Reserves Fund | *4,5,9* | **2,074,624,639** | 1,863,545,481 |
| Prepayments and Office Supplies | *10* | **24,952,538** | 16,416,654 |
| Investments in Subsidiaries | *11* | **2,424,619,300** | 1,606,127,600 |
| Property and Equipment, Net | *12* | **579,971,100** | 586,967,335 |
| Investment Properties | *13* | **51,342,000** | 51,342,000 |
| Right-of-Use Assets | *30* | **89,441,205** | 141,768,388 |
| Net Pension Asset | *29* | **334,989,409** | 189,518,335 |
| Other Assets | *14* | **7,534,612** | 7,147,607 |
| **TOTAL ASSETS** | | **96,980,928,327** | 90,615,301,072 |
| | | **LIABILITIES AND EQUITY** | |
| **LIABILITIES** | | | |
| Accrued Expenses and Other Liabilities | *15* | **507,422,505** | 413,743,589 |
| Income Tax Payable | | **111,114,009** | 118,339,066 |
| Pre-Need Reserves | *3,16* | **80,026,026,554** | 73,377,017,533 |
| Other Reserves | *3,17* | **1,694,802,693** | 1,515,209,332 |
| Lease Liabilities | *30* | **87,307,633** | 138,908,323 |
| Deferred Tax Liabilities | *27* | **126,405,426** | 90,219,279 |
| Other Liabilities | *18* | **284,733,849** | 253,139,736 |
| **TOTAL LIABILITIES** | | 82,837,812,669 | 75,906,576,858 |
| **EQUITY** | | | |
| Capital Stock | *19* | **1,360,000,000** | 1,360,000,000 |
| Retained Earnings | *19* | **13,116,746,687** | 13,362,238,672 |
| Revaluation Reserve from Financial Assets - Trust Fund | *8* | **(430,350,563)** | (84,450,362) |
| Revaluation Reserve from Financial Assets | *7,9* | **(37,386,031)** | (946,976) |
| Revaluation Reserve from Property and Equipment | *12* | **102,401,786** | 102,401,786 |
| Remeasurement Reserve from Defined Benefit Plan | *29* | **31,703,779** | (30,518,906) |
| **TOTAL EQUITY** | | **14,143,115,658** | 14,708,724,214 |
| **TOTAL LIABILITIES AND EQUITY** | | **96,980,928,327** | 90,615,301,072 |

*(See Accompanying Notes to Financial Statements)*

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**ST. PETER LIFE PLAN, INC.**
**STATEMENTS OF INCOME**
**For the Years Ended December 31, 2022 and 2021**

| *(In Philippine Peso)* | *Notes* | **2022** | 2021 |
|---|---|---|---|
| **INCOME** | | | |
| Premium Revenue | 20 | **20,105,463,268** | 19,451,673,264 |
| Trust Fund Income (Loss) | 21 | **(367,759,863)** | 4,238,387,298 |
| Investments Income (Loss) | 22 | **(71,450,916)** | 313,447,390 |
| Other Income | 23 | **1,047,666,566** | 1,142,687,324 |
| **Total Income** | | **20,713,919,055** | 25,146,195,276 |
| **COSTS AND EXPENSES** | | | |
| Cost of Contracts Issued | | | |
| Increase (Decrease) in Pre-Need Reserve Including Trust Fund Contributions | 16 | **10,961,289,774** | 14,898,197,226 |
| Increase (Decrease) in Other Reserves | 17 | **179,593,361** | 198,807,291 |
| Registration Fees and Documentary Stamp Tax | 35 | **95,516,497** | 83,040,774 |
| Other Direct Costs and Expenses | 25 | **7,637,479,269** | 6,369,848,770 |
| General and Administrative Expenses | 26 | **1,054,869,186** | 953,283,837 |
| **Total Costs and Expenses** | | **19,928,748,087** | 22,503,177,898 |
| **INCOME BEFORE INCOME TAX** | | **785,170,968** | 2,643,017,378 |
| **INCOME TAX EXPENSE** | 27 | **(350,662,953)** | (408,230,232) |
| **NET INCOME** | | **434,508,015** | 2,234,787,146 |

*(See Accompanying Notes to Financial Statements)*

## ST. PETER LIFE PLAN, INC.
## STATEMENTS OF COMPREHENSIVE INCOME
### For the Years Ended December 31, 2022 and 2021

| *(In Philippine Peso)* | *Notes* | 2022 | 2021 |
|---|---|---|---|
| NET INCOME | | **434,508,015** | 2,234,787,146 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Item that will not be reclassified into profit or loss:** | | | |
| Remeasurement Gain on Defined Benefit Obligation | *29* | **82,963,580** | 170,424,427 |
| Deferred Income Tax | *27* | **(20,740,895)** | (42,606,107) |
| | | **62,222,685** | 127,818,320 |
| **Items that may be reclassified subsequently into profit or loss:** | | | |
| Changes in Fair Value of FVOCI - Financial Assets | *7, 9* | **(36,439,055)** | 28,142,616 |
| Changes in Fair Value of FVOCI - Trust Funds | *8* | **(345,900,201)** | (300,901,263) |
| | | **(382,339,256)** | (272,758,647) |
| TOTAL COMPREHENSIVE INCOME | | **114,391,444** | 2,089,846,819 |

*(See Accompanying Notes to Financial Statements)*

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## ST. PETER LIFE PLAN, INC

### STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021

| *(In Philippine Peso)* | **Capital Stock** *(Note 19)* | **Retained Earnings** *(Note 19)* | **Revaluation Reserves from Financial Assets - Trust Fund** *(Note 8)* | **Revaluation Reserves from Financial Assets** *(Note 7&9)* | **Revaluation Reserves from Property and Equipment** *(Note 12)* | **Remeasurement Reserve from Defined Benefit Plan** *(Note 29)* | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2020 | 1,360,000,000 | 11,467,451,526 | 216,450,901 | 27,195,640 | 95,575,000 | (158,337,226) | 13,008,335,841 |
| Declared Dividends | - | (340,000,000) | - | - | - | - | (340,000,000) |
| Increase in Unrealized Gains | - | - | (300,901,263) | (28,142,616) | - | - | (329,043,879) |
| Remeasurement Loss on Defined Benefit Plan | - | - | - | - | 6,826,786 | 127,818,320 | 134,645,106 |
| Net Income | - | 2,234,787,146 | - | - | - | - | 2,234,787,146 |
| Balance at December 31, 2021 | 1,360,000,000 | 13,362,238,672 | (84,450,362) | (946,976) | 102,401,786 | (30,518,906) | 14,708,724,214 |
| Declared Dividends | - | (680,000,000) | - | - | - | - | (680,000,000) |
| Increase in Unrealized Gains | - | - | (345,900,201) | (36,439,055) | - | - | (382,339,256) |
| Remeasurement Gain on Defined Benefit Plan | - | - | - | - | - | 62,222,685 | 62,222,685 |
| Net Income | - | 434,508,015 | - | - | - | - | 434,508,015 |
| **Balance at December 31, 2022** | **1,360,000,000** | **13,116,746,687** | **(430,350,563)** | **(37,386,031)** | **102,401,786** | **31,703,779** | **14,143,115,658** |

*(See Accompanying Notes to Financial Statements)*

## ST. PETER LIFE PLAN, INC.
### STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

| *(In Philippine Peso)* | *Notes* | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before Income Tax | | **785,170,968** | 2,643,017,378 |
| Adjustments for: | | | |
| Increase in Pre-need Reserves | *16* | **6,649,009,021** | 10,797,828,496 |
| Increase in Other Reserves | *17* | **179,593,361** | 198,807,291 |
| Investments Loss (Income) | *22* | **71,450,916** | (313,447,390) |
| Depreciation and Amortization | *12, 30* | **92,597,403** | 92,560,028 |
| Trust Fund Loss (Income) | *21* | **367,759,863** | (4,238,387,298) |
| Interest Expense | *30* | **9,029,041** | 6,167,960 |
| Retirement Expense | *29* | **55,312,029** | 67,515,085 |
| Interest Income | | **(906,905)** | (1,391,765) |
| **Operating Income before Working Capital Changes** | | **8,209,015,696** | 9,234,370,785 |
| Decrease (Increase) in: | | | |
| Prepayments and Office Supplies | *10* | **(8,535,884)** | (4,207,880) |
| Other Assets | *14* | **(387,004)** | 3,150,450 |
| Increase (Decrease) in: | | | |
| Accrued Expenses and Other Liabilities | *15* | **93,678,915** | 44,223,206 |
| Other Liabilities | *18* | **31,594,114** | 46,449,816 |
| **Net Cash Provided by Operating Activities** | | **8,325,365,837** | 9,323,986,377 |
| Contributions to Pension Plan | *3,29* | **(117,819,522)** | (133,353,014) |
| Interest Received | | **906,905** | 1,391,765 |
| Income Tax Paid | | **(342,442,759)** | (392,263,972) |
| **Net Cash Provided by Operating Activities** | | **7,866,010,461** | 8,799,761,156 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment Income Received | *22* | **(71,450,916)** | 313,447,390 |
| Addition in Financial Assets | *7* | **(77,312,533)** | (440,377,345) |
| Addition in Other Reserves Fund | *9* | **(218,396,189)** | (345,321,692) |
| Proceeds from Withdrawal of Investment in Trust Funds | *8* | **4,312,280,752** | 4,100,368,730 |
| Contributions to Trust Fund | *4,5,9* | **(10,870,494,433)** | (11,256,204,574) |
| Investment in Subsidiaries | *11* | **(818,491,700)** | (937,432,500) |
| Acquisitions of Property and Equipment | *12* | **(33,273,985)** | (24,894,523) |
| **Net Cash Used in Investing Activities** | | **(7,777,139,004)** | (8,590,414,514) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends Paid | *19* | **(680,000,000)** | (340,000,000) |
| Lease Payments | *30* | **(60,629,731)** | (57,019,824) |
| **Cash Used in Investing Activities** | | **(740,629,731)** | (397,019,824) |
| **NET DECREASE IN CASH and CASH EQUIVALENTS** | | **(651,758,274)** | (187,673,182) |
| **CASH AND CASH EQUIVALENTS AT JANUARY 1** | | **1,787,343,023** | 1,975,016,205 |
| **CASH AND CASH EQUIVALENTS AT DECEMBER 31** | *6* | **1,135,584,749** | 1,787,343,023 |

*(See Accompanying Notes to Financial Statements)*

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# ST. PETER LIFE PLAN, INC.
## NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Amount in Philippine Pesos)

## 1. GENERAL INFORMATION

**ST. PETER LIFE PLAN, INC.** (the "Company") was incorporated in the Philippines to engage in the business of organizing, establishing, developing, conducting, maintaining, operating and selling of memorial plans and/or arrangements for funerals or memorial services and merchandise or articles of all kinds and descriptions pertinent or necessary thereto, to be delivered in the future to subscribers, purchasers, or plan holders, workers and all types of merchandise, equipment and/or services pertaining to the cemetery business, to provide funeral or memorial services or the burial, cremation and care of the remains of the departed. The Company has no ultimate parent or controlling individual.

The registered principal office address of the Company is at St. Peter Corporate Center, 999 EDSA Quezon City 1101 Philippines.

*Approval for Issuance Financial Statements*
On March 29, 2023, the Board of Directors of St. Peter Life Plan, Inc. approved and authorized the issuance of these audited financial statements as of and for the year ended December 31, 2022 (including the comparatives for the year ended December 31, 2021).

## 2. PRE-NEED REGULATIONS

On December 3, 2009, the Republic Act (RA) No. 9829, An Act Establishing the Pre-need Code of the Philippines, was approved. It is a consolidation of Senate Bill No. 2077 and House Bill No. 6407 passed by the Senate and the House of Representatives on September 30, 2009 and September 29, 2009, respectively.

The following are the more significant provisions under RA No. 9829:

- *Authority of the Insurance Commission (IC).* All pre-need companies shall be under the primary and exclusive supervision and regulation of the IC (the Commission).
- *Paid-up Capital.* A pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of 100 million. Existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:
  a. 100 million for companies selling at least three (3) types of plan;
  b. 75 million for companies selling two (2) types of plan; and
  c. 50 million for companies selling a single type of plan.
- *Trust Fund.* The trust fund shall at all times be sufficient to cover the required pre-need reserve. The RA specifies the minimum amount of corresponding contributions to the trust fund.

- *Limitations on Different Investments of the Trust Funds.* To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust fund(s) of a pre-need company shall be limited and subject to limitations specified by the RA.

Under Chapter 11, Section 47 of the Pre-need Code, the IC shall have the authority to make, amend and rescind such accounting rules and regulations applicable for pre-need companies. In the absence of new accounting rules, amendments to or rescission of the current accounting rules authorized by the IC, the Company continues to follow the amended PNUCA.

**<u>Implementing Rules and Regulations (IRR) of RA No. 9829</u>**
After the issuance of RA 9829, the Commission issued the IRR on March 8, 2010. The salient provisions of the IRR are the same with that of RA No. 9829.

**<u>SEC Memorandum Circular (SMC) No. 6. Series of 2002</u>**
The SEC issued SMC No. 6, Standards for Valuation of Actuarial Reserve Liabilities for Pre-Need Plans (SEC Circular No. 6), effective June 27, 2002 (amended April 10, 2003). The following are the more significant provisions of this Circular:

a. Actuarial reserve liabilities (ARL) must be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. Where insurance coverage is provided in the plan contract, insurance premium reserves must be set up as a separate liability.

c. The ARL must be determined by using a prospective method in accordance with the guidelines and Standards of the Actuarial Society of the Philippines;

d. Actuarial reserve valuation methods must be consistent with any allowed accounting adjustments for deferred expenses. The net level contribution method of prospective valuation for both pre-need benefits reserve and insurance premium reserve (IPR) shall be used when there is deferment of expenses. Only first year commissions, overrides and bonuses may be deferred.

   Administrative and other marketing expenses shall not qualify for deferral. The period of deferment shall not exceed the installment payment period and shall be in accordance with the New Pre-Need Rules which took effect on September 21, 2001;

e. The ARL for a contract that has defaulted in payment of installments of the price, but which may still be reinstated, shall not be less than its reserve minus the uncollected contribution to reserve up to the date of valuation, multiplied by a validated reinstatement factors as determined by the actuary, provided the uncollected contributions to reserve is not reflected as an asset;

f. The interest rate assumption in reserve valuation should be reflective of expenses and taxes incurred on investments, but the rate shall in no case exceed 80% of the average interest rate for the longest-term Philippine government security traded during the previous three (3) months.

If the experience net yield rate of the trust fund is higher than the set maximum, the actuary must show conclusive proof of the contracts whose reserves are being valued, before assuming such experience net yield;

g. Rates of surrender, cancellation, utilization and inflation, when applied, must consider the actual experience of the company in the last three (3) years, or the industry, in the absence of a reliable company experience.

h. In determining the ARL of fully paid plans, no decrement rates other than utilization rates for the contingent principal benefits may be used. The actuary shall submit to the SEC for approval the necessary justification for any exception made to this rule; and

The actuary shall validate every year the actuarial assumptions used in the reserve valuation and shall include in the actuarial certification a statement of the validation procedure.

**Pre-Need Rule 31, as Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Charts of Accounts (PNUCA)**

On May 10, 2007, the Pre-Need Rule 31: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Charts of Accounts (PNUCA) was amended.

The following are the more significant provisions under the Amended Pre-Need Rule 31:

*Trust Funds*

a. The net asset value in the trust funds shall be at least equal to the required Pre-Need Reserves (PNR) as determined by a qualified actuary using the method prescribed in this Rule.

b. All requirements under the rules and regulations as may be promulgated by the IC on trust funds shall be complied with.

c. The recognitions and measurement of the assets in the trust funds shall be in accordance with Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement* and PAS 40, *Investment Property* and other applicable standards, depending on the composition of the fund.

d. The component assets and liabilities of the trust funds shall be presented separately in the notes to financial statements.

*Pre-Need Reserves*

a. PNR shall be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. In recognizing the PNR for life plans, the general requirements of PFRS 4, *Insurance Contracts*, on provisioning and specific methodology provided under this item shall be complied by the Company;

c. The amount recognized as a provision to cover the PNR shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision;

d. Since the effect of time value of money for pre-need plans is material the amount of provision shall be the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

   (i) On Currently-Being-Paid Plans

      1. Provision for termination values applying the surrender rate experience of the Company; and
      2. Liability shall be set up for the currently-being-paid plans. It shall be equivalent to the present value of future benefits reduced by the present value of future fund contributions discounted at an attainable interest rate per Product Model of the Company;

   (ii) On Lapsed Plans within the Allowable Reinstatement Period
      1. Provision for lapsed plans applying the reinstatement experience of the company shall be set up;

   (iii) Fully Paid Plans
      1. For fully paid plans, the reserve shall be the present value of future benefits discounted at the attainable rate, as determined and certified by the Company's actuary using industry best practices and principles which shall be indicated in such certification.

e. Future events that may affect the foregoing amounts shall be reflected in the amount of provision for PNR where there is sufficient objective evidence that they will occur;

f. The rates of surrender, cancellation, reinstatement, utilization and inflation, when applied, must consider the actual experience of the company in the last three (3) years, or the industry in the absence of a reliable company experience;

g. The computation of the foregoing assumptions shall be validated by an independent qualified actuary of the pre-need company. His or her validation report shall be provided to its external auditors for purposes of statutory audit of the financial statements of the company and shall be submitted to the IC as a separate report;

h. The probability of pre-termination or surrender of fully paid plans shall be considered in determining the PNR of fully paid plans. A pre-need termination experience on fully paid plans of 5% and below shall be considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date;

i. The disclosure requirement under PAS 1, *Presentation of Financial Statements*, relative to methods and assumptions used to estimate the PNR, including the sensitivity of the PNR amount, shall be complied with; and

j. Any excess in the trust fund as a result of the revised reserving method shall not be released from the fund and may be credited for future deposit requirements.

*Other Reserves Fund*
This represents corporate assets that are allocated to cover the payment of insurance premium and expenses that the Company will incur in administering the pre-need plan after payment period. This shall at least be equal to the amount computed for the Insurance Premium Reserves (IPR) under "Other Reserves" account.

*Other Reserves*
The Company shall set-up other provisions in accordance with PAS 37 to cover obligations such as Insurance Premium Reserve (IPR).

Unless the IC shall so specifically require, a company may, at its option, set up other provisions as a prudent measure.

*Premium Revenues*
Premiums from sale of pre-need plans shall be recognized as earned when collected. When premiums are recognized as income, the related cost of contracts shall be computed with the result that benefits and expenses are matched with such revenue.

*Trust Fund Income*
Income generated by the trust fund shall be included in the Investment in Trust Funds account under the asset section of the statement of financial position. *(Note 8)*

The amount of the trust fund income shall be disclosed in the notes to the financial statements. The portion of the retained earnings representing the trust fund income shall be automatically restricted to payment of benefits of plan holders and such other related payments as allowed under the Pre-Need Code and other pertinent rules.

*Cost of Contracts Issued*
This account pertains to:

a. The increase in PNR for the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result of new information or new developments, the amount shall be deducted from the Cost of Contracts Issued of the current period. In case of material prior period error, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by the pre-need company;
b. Amount of trust funds contributed during the year; and
c. Documentary stamp tax and registration fees.

The foregoing items shall be presented separately on the face of the Statements of Comprehensive Income.

*Other Direct Costs and Expenses*
This account includes the following, which shall be presented separately in the notes to the financial statements:

a. Basic and other commission expenses;
b. Insurance;
c. Other expenses that constitute direct cost of contracts issued.

**SEC Interpretative Bulletin No. 1 Series of 2008**
On January 17, 2008, the SEC issued a bulletin to guide pre-need corporations, pre-need actuaries and pre-need external auditors on the implementation of Pre-Need Rule 31, As Amended, *Accounting Standards for Pre-Need Plans* (Pre-Need Rule 31, As Amended) and PNUCA.

The more significant provisions of this bulletin are as follows:

*Pre-Need Reserves*
The PNR or the reserve for education plan, life plan and pension plan, cover the liabilities for education plan, life plan and pension plan. PNR represents the present value of future pre-need benefits less the present value of future trust fund contributions. The amount indicated as PNR shall be the same as stated in the Actuarial Valuation Report and Audited Financial Statements with the required disclosures.

*Other Reserves*
The Company is required to set up an insurance premium reserve under the account "Other Reserves." This account may also include the following items:

1) Paid up capital reserves;
2) Reserve for the difference in the PNR computation using a rate other than the SEC-approved hurdle rate and;
3) Other reserves as may be allowed by the Commission.

**IC Circular Letter No. 8-2012**
On March 15, 2012, the IC issued Circular Letter No. 8-2012, *Allowable Investment for Pre-need Trust Funds.* In addition to the provisions of Section 34 of the Pre-need Code, Investment of the Trust Fund, the following additional investment outlets shall be allowed as "Other Investments" with corresponding maximum limits and subject to prior approval of the IC.

The amount allocated shall not exceed twenty percent (20%) of the total trust fund while the investment in any particular item below shall not exceed fifteen percent (15%) of the trust fund.

Provided, further, that no investment in any single entity shall exceed ten percent (10%) of the total value of trust fund.

a. Preferred shares – Preferred stock, also called preferred shares, preference shares of simply preferred, is a special equity security that has properties of both equity and a debt instrument and is generally considered a hybrid instrument. Preferred are senior (i.e., higher ranking) to a common stock but are subordinate to bonds. Preferred stock usually carries no voting rights, but may carry a dividend and may have priority over common stock in the payment of dividends and upon liquidation.

b. Real Estate Investment Trust (REIT) – Real estate investment trust or REIT as defined under Republic Act No. 9856 is a stock corporation establish in accordance with the Corporation Code of the Philippines and the rules and regulation promulgated by the IC principally for the purpose of owning income-generating real estate assets. For purposes of clarity, a REIT, although designated as a 'Trust' does not have the same technical meaning as 'trust' under existing laws and regulations but it used herein for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

c. Tier 2 Notes – Tier 2 notes that generally constitute direct, unconditional, unsecured and subordinated obligations of a bank. More commonly, claims of all noteholders will enjoy priority over the rights and claims of holders of all classes of equity securities of a bank, including holders of preference shares, if any. The issuer bank should have a credit rating of no less that 'A' from Philippine Rating Services Corporation (PhilRatings).

d. Service Assets – Under Republic Act No. 9829, Section 35 Responsibilities of a Trustee of Pre-need Companies under (c) 'Not use the trust fund to invest in or extend any loan or credit accommodation to the pre-need Company, its directors, officers, stockholders and related interests as well as to persons or enterprises controlling, owned or controlled by, or under common control with said company, its directors, officers, stockholders and related interests except for entities which are direct providers of pre-need companies.

   Service assets are investment by a pre-need company directly or through a service provider in resources or capabilities that may be used to offset a future liability. These are assets or shares which are not intended for resale or investment but to offset future liabilities.

   i. Pre-need companies differ from insurance companies because their obligations are not necessarily financial in nature. Some of their liabilities may be in the form of assets or services. Hence, there are arbitrage opportunities where the pre-need company is able to provide the service or asset at a cost below the amount originally projected in the financial model.

   ii. Mortuaries – Historically investments by pre-need companies in mortuaries have allowed some pre-need companies to answer their life plan obligation. Investments take the form of buying or investing in mortuaries, purchasing assets required to provide memorial services, such as hearses, cremation machines or loaning funds to independent mortuaries where conditions of the loan include providing discounted memorial services.

   iii. Memorial lots and/or columbaries – Some life plan liabilities are in the form of memorial lots or columbaries, where the commitment of the life plan company is to provide a complete funeral service including a memorial lot.

      Memorial lots or columbaries that are not part of the package of a funeral service shall be considered as inventories held for sale. In which case, the asset shall be considered as real estate.

   iv. Schools – Investments by pre-need companies in educational institutions would reduce the cost of servicing education plans, because the cost of educating additional students is only marginal. The pre-need company would only have to spend on the marginal cost of educating additional students.

   v. Retirement homes – Some pension plans may include the provision of adult oriented housing for retirees as a benefit of the pension plan. Consequently, the ownership of such service assets will inoculate or control the liability of the pre-need company.

As of December 31, 2022 and 2021, the Company has complied with the allowable investments under IC Circular Letter No. 8-2012 (Note 8).

**IC Circular Letter No. 23-2012**
On November 23, 2012, the IC has issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-Need Reserves (TPNR). The circular states that in order to provide regulatory leeway for old basket of plans previously approved by the SEC, the valuation of PNR shall be governed by the following:

a. *Discount Interest Rate for the PNR*
The transitory discount interest rate per year shall be used in the valuation of PNR shall not exceed the lower attainable rates as certified by the Trustee and the following rates below:

| Year | Discount Interest Rate |
|---|---|
| 2012-2016 | 8.00% |
| 2017 | 7.25% |
| 2018 | 6.50% |
| 2019 and onwards | 6.00% |

For the year ended December 31, 2022, the Company has used the attainable rate of 6.00% in valuing its PNR *(Note 16).*

b. *Transitory Pre-Need Reserve*
In effecting the transition in the valuation of reserves for old basket of plans, IC shall prescribe a TPNR with a maximum period of ten (10) years.

For each of the pre-need plan categories, the TPNR shall be computed annually on all old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability set-up shall be the PNR. However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by the pre-need company from the trustee for the contractual benefits outstanding as of the end of the year.

The TPNR liability shall be recognized each year. The trust fund deficiency shall be funded by the pre-need company within sixty (60) days from April 30 following the valuation date.

As of December 31, 2022, the Company's investment in trust fund is significantly higher than the PNR computed using the discount interest rates required by IC Circular Letter 23-2012.

**IC Circular Letter No. 43-2015**

On August 7, 2015, the IC has issued Circular Letter No. 43-2015 relating to the Guidelines on the Management of the Trust Fund to govern the management and administration of the trust fund established for the payment of pre-need benefits under plan contracts and to provide an updated and more flexible choice of investments for the net surplus fund subject to rules and regulations that would ensure prudent investment management and protection of the interests of the planholders, including the promotion of the sound, stable and sustainable growth of the pre-need industry as provided for in Section 2 of the Pre-Need Code.

*Trust fund surplus*

The net asset value in the trust fund shall be at least equal to the required pre-need reserve liability (PRL) as determined by an accredited actuary.

The PRL shall be computed in accordance with the prescribed applicable rate at the time of valuation.

*Net surplus fund*

The net surplus fund is an extended fund of the trust fund. Its availability shall be determined based on the trust fund income as of December 31 of the immediately preceding calendar year.

The net surplus fund is determined as the difference between the rust fund surplus against the sum of provision for adverse deviation and excess liability reserve.

Trust fund surplus refers to the excess of the net asset value in the trust fund over the pre-need reserve liability. The net asset value is the trust fund balance at the time of valuation. The net asset value is also referred to as trust fund equity.

*Investment of the trust fund and net surplus fund*

Investment of the trust fund shall be limited to the allowable investments provided for under Section 34 of the Pre-Need Code and to such other investments approved by the Commission, and shall be subject to the limitations found therein.

In case there is a net surplus, investment of the same shall be limited to the items enumerated under Section 34 of the Pre-Need Code and other allowable investments approved by the Commission, without the percentage limits set forth. Any investment outlet not enumerated therein may be allowed subject to the prior approval of the Insurance Commission.

The net surplus shall be placed in net surplus fund of each of the plan type (life, pension and education plan).

*Withdrawal of the excess liability reserves of closed accounts*

Withdrawal of the excess liability reserve (ELR) of closed accounts from the trust fund may be allowed subject to the prior approval of the commission and payment of processing fee of 50,000 per application.

Request for the withdrawal of the ELR of closed accounts shall be submitted within thirty (30) days from receipt by the Commission of the Actuarial Valuation Report.

In case the Commission acts favorably on the request, withdrawal shall be made within sixty (60) days from receipt of approval. No withdrawal after sixty (60) day period shall be allowed by the trustee bank.

The total plan deposit and ELR information per plan contract shall be included in the monthly trust fund withdrawal report submitted to the Commission.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of Financial Statement Preparation**
The Company's financial statements have been prepared in accordance with financial reporting framework in the Philippines for pre-need companies and Philippine Financial Reporting Framework as set forth in Philippine Financial Reporting Standards (PFRS) applicable for pre-need companies in the Philippines. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC except for the accounting treatment of revenues and financial liabilities under PAS and PFRS 4 where the SEC issued a notice of the Revised PNUCA on May 10, 2007. The Company's financial statements have been prepared in accordance with accounting standards set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts (PNUCA)*.

The financial statements are prepared under the historical cost convention modified for the measurement of financial assets at their Fair Value and/or Present Value as dictated by the standard.

**SEC Accounting Rules**
The significant provisions of the rules and regulations of the revised PNUCA adopted by the Company are as follows:

a. Presentation of Financial Statements adopting the SEC Uniform Chart of Accounts resulted to reclassification of current financial statement accounts and additional disclosures;
b. Pre-Need Reserve Liabilities are set up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts;
c. Provisions for Pre-Need Reserves are set up by the Company in accordance with PFRS 4;
d. Premium Revenue represents collections from sale of pre-need plans and presented as the major source of revenue in the Statements of Comprehensive Income.

**Functional and Presentation Currency**
These financial statements are prepared in Philippine Peso (₱), the Company's Functional Currency, and all values are rounded to the nearest peso except when otherwise indicated.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

**Adoption of Amended Standards**

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

- **Amendments to PFRS 3**, *Reference to the Conceptual Framework* - The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies,* if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.
- **Amendments to PAS 16**, *Plant and Equipment: Proceeds before Intended Use* - The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- **Amendments to PAS 37**, *Onerous Contracts – Costs of Fulfilling a Contract* - The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- **Annual Improvements to PFRSs 2018-2020 Cycle**
  - **Amendments to PFRS 9**, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - **Amendments to PFRS 16,** *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated. Adoption of these amendments did not have a significant impact on the Company's Financial Statements.

**Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS which are not yet effective for the year ended December 31, 2022 and have not been applied in preparing the financial statements are summarized below. Unless otherwise stated, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

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

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

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

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

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

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

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

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

*Deferred effectivity*

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

**Separate Financial Statements and Investment in a Subsidiary**
These financial statements are prepared as the Company's separate financial statements. The Company also presents consolidated financial statements.

Investment in Subsidiary is accounted for using the cost method in the Company's financial statements. A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The Investment in Subsidiary is carried in the Statements of Financial Position at cost less any impairment in value. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investments and are recognized as a reduction of the cost of the investments.

Investment in Subsidiary is derecognized upon sale or disposal. Any gain or disposal arising from derecognition is recognized in profit or loss. Gain or loss is computed as the difference between proceeds from the disposal and its carrying amount, is recognized in profit or loss at the time of sale or disposal.

**Product Classification**

The provisions of PFRS 4 provides that insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risks from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholder. As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

As provided under PFRS 4, this product classification exercise is solely for accounting purposes and does not make the Company an insurance company for statutory and regulatory purposes. The Company as a pre-need company is under the regulation of the Insurance Commission.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at FVTPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured at FVTPL.

The surrender options within the life plans issued by the Company are treated as derivative financial instruments, which are closely related to the host contract and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

As provided under SEC Interpretative Bulletin No. 1, Series of 2008, the reserves for Life Plans shall be included in the Pre-Need Reserve (PNR) account in the Statements of Financial Position.

**Fair Value Measurement**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For units in unit trusts and mutual funds, fair value is determined by reference to the latest bid values computed by fund managers and the net asset value per unit, respectively. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

In accordance with PFRS 7, financial assets and liabilities measured at fair value in the Statements of Financial Position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The different levels have been defined as follows:

- Level 1 - Quoted prices in active markets for identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market date (unobservable inputs)

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

*"Day 1" difference*
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument, or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1 profit or loss) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of Day 1 difference.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5.

**Cash and Cash Equivalents**
Cash includes cash on hand and in banks. Cash equivalents (including those in the investments in trust funds) are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of placement and are subject to insignificant risk of change in value.

Cash and Cash Equivalents are not restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting date.

**Financial Instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial Assets***
***Date of Recognition of Financial Assets***
The Company recognizes financial assets in the Statements of Financial Position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

***Initial Recognition and Measurement***
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI), and Fair Value through Profit or Loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are Single Payment of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

***Subsequent Measurement***
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial Assets at FVTPL
- Financial Assets at FVOCI
  - Debt Securities
  - Equity Securities
- Financial Assets at Amortized Cost

*Financial Assets at FVTPL*
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at financial assets at FVTPL, irrespective of the business model. Financial assets at FVTPL are carried in the Statements of Financial Position at fair value with net changes in fair value recognized in the Statements of Comprehensive Income.

*Financial Assets at FVOCI*
Financial assets at FVOCI include debt and equity securities. After initial measurement, financial assets at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the Statements of Comprehensive Income as changes in fair value of financial assets at FVOCI.

*Debt Securities at FVOCI* are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, is reported in the Statements of Income. Interest earned on holding debt securities at debt securities at FVOCI are reported as 'Interest income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the Statements of Comprehensive Income is recognized as 'Trading gain/(loss) - net' under 'Investment Income' and Trust 'Fund Income' in the Statements of Income.

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

*Financial Assets at Amortized Cost*
Financial assets at amortized cost are financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

As of December 31, 2022 and 2021, the Company's financial assets at amortized cost are presented in the statements of financial position, including those included in the investment in trust fund, financial assets and other reserve funds as cash and cash equivalents, and loans and receivables.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Losses arising from credit losses are recognized in 'Provision for impairment, credit and other losses' in the Statements of Income.

***Impairment of Financial Assets***
The adoption of PFRS 9 has changed the Company's loss impairment method on financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

The ECL allowance is based on the credit losses expected to arise on 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***<u>Financial Liabilities</u>***

***Date of Recognition of Financial Liabilities***

The Company recognizes financial liabilities in the Statements of Financial Position when it becomes a party to the contractual provisions of the instrument.

***Initial Recognition and Measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Gains or losses on liabilities held for trading are recognized in the Statements of Income.

As of December 31, 2022 and 2021, the Company has no financial liabilities classified as FVTPL and derivatives designated as hedging instruments.

***Subsequent Measurement***

The measurement of financial liabilities depends on their classification, as described below:

*Financial Liabilities at Amortized Cost*

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statements of Income.

This accounting policy applies primarily to the Company's accrued expenses and other liabilities, (excluding statutory payables and other liabilities to the government), lease liabilities and other obligations that meet the above definition.

**Classification of Financial Instruments between Debt and Equity**
A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company;
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash of another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

**Derecognition of Financial Assets and Liabilities**

*Financial Asset*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

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

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

**Offsetting of Financial Assets and Financial Liabilities**
Financial assets and financial liabilities are offset and the net amount is reported in the Company's Statements of Financial Position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under PFRS, such as in the case of any realized gains and losses arising from the Company's trading activities.

**Prepayments and Office Supplies**
Prepaid expenses pertain to resources controlled by the Company as a result of past events and from which future economic benefits are expected to flow to the Company. These are expenses already paid by the Company but were not yet actually/fully incurred as of the reporting date. These prepaid expenses are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle. Office supplies pertains to unused supplies for day-day business operations.

**Investment Properties**
Investment Properties consist of land, buildings and improvements owned by the Company that are primarily leased to others or held for capital appreciation or both. Costs of investment properties are initially measured at cost at the time it is incurred. These costs include costs incurred initially to acquire the investment property and costs incurred subsequently to add, to replace part of, or service a property. Subsequently, investment property is stated at fair value as determined by an independent appraiser. Investment properties are being recognized as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and the cost of the investment property can be measured reliably. Any gain or loss resulting from either change in the fair value or the sale retirement of an investment property is immediately recognized in the profit or loss as fair value gains from investment property under the other gains and (losses) and shown as part of other income (loss) in the Statements of Income.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction. Transfers are made from investment properties when and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

The Company recognizes in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria for investment property are met. Costs of day-to-day servicing of such a property are recognized as "Repairs and Maintenance" in the Statements of Income as incurred. The fair values of investment properties are determined with reference to market-based evidence, which is the amount for which the property could be exchanged in an arm's length transaction as at the valuation date. The Company uses the fair valuation model in accounting for its investment property. The fair value are determined by an independent appraiser.

Investment properties, shown as part of Investment in Trust Fund in the Statement of Financial Position, are stated at fair value as determined by independent appraisers. The amounts recognized in the Statement of Financial Position reflect the prevailing market condition at the end of each reporting period. Any gain or loss resulting from change in the fair value of an investment property is immediately recognized in the Statements of Comprehensive Income as part of trust fund income account.

Investment property is derecognized on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the caring amount of the asset) is included in the Statements of Comprehensive Income.

**Property and Equipment**

Property and equipment are initially measured at cost. Such cost includes the purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequently, to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses except for land which is measures at revalued amount. Replacements and major repairs are capitalized while maintenance and minor repairs are charged to expenses as incurred.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| Item | Years |
|---|---|
| Building | 20 |
| Furniture and Fixtures | 3-5 |
| Office Equipment | 3-5 |
| Transportation Equipment | 3-5 |
| Leasehold Improvements | 3-5 |

Depreciation of an item of property and equipment begins when asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The land is not depreciated. The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

When the items of property and equipment are retired or otherwise disposed of, the cost, related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the Statements of Comprehensive Income.

**Impairment of Nonfinancial Assets**
This accounting policy applies primarily to the Company's property and equipment, investment in subsidiaries, and investment properties held and not held in trust funds. At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset (or cash-generating unit (CGU)) exceeds its recoverable amount, the asset (or CGU) is considered impaired is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimated used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

**Investments in Trust Funds**
Trust Fund is a fund set-up from planholders' payments, separate and distinct from the paid-up capital of a registered pre-need company and registered by the Commission to engage in the business of selling pre-need plans.

Measurement, recognition and disclosure for trust fund shall be in accordance with PFRS 9 (Financial Instruments) and PAS 40 (Investment Property) and other applicable standards, depending on the composition of the fund.

The net asset value in the trust fund shall be at least equal to the required Pre-Need Reserves as determined by a qualified actuary using the method prescribed by Pre-Need Rule 31, as amended.

Income generated by the Company's trust funds are included in the "Investment in Trust Fund" account under the assets section of the Statements of Financial Position and credited to "Trust Fund Income". This income is restricted to payments as enumerated/explained in Note 8.

The net unrealized gain/loss in value of trust funds' investments are included in the "Investment in Trust Fund" account and is shown separately as "Revaluation Reserve from Financial Assets" in the stockholders' equity of the Statement of financial position and statement of changes in equity.

Liquidity Reserve Fund is the portion of the trust fund set aside by the Trustee to cover the benefits due to planholders during the ensuing year. Pursuant to SRC Section 16, Rule 18, the Company is required to maintain at least twenty percent (20%) liquidity reserve to cover the benefits due to planholders during the ensuing year unless the actuary otherwise determines.

**Other Reserves Fund**
Other Reserves Fund is comprised of funds for Insurance Premium Reserve.

The Insurance Premium portion of the fund is set aside to cover the payment of insurance premium due after the paying period of the pre-need plan.

**Pre-need Reserves**
Pre-Need Reserves (PNR) is being set-up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts. Pre-Need Reserves are computed using the modified net premium reserving method based on a prospective approach, and is in accordance with the Guideline and Standards of the Actuarial Society of the Philippines.

The actuarial assumptions used in the valuation of reserves (e.g. interest rate, inflation rate, withdrawal rate, availment rate and contingent benefit costs) are based on the provisions of the Pre-need Code, its implementing rules and subsequent IC memos on its implementation. For 2022 and 2021, the Company used an interest rate assumption of 6%.

The Company no longer used lapse and withdrawal rates in line with the Insurance Commission's requirement. The Company used utilization rates which are based on the Company's experience, imputing margins for conservatism. The Company likewise used inflation rates and contingent benefit costs which are based on its actual experience. No other decrement, other than utilization rate, was used after payment period of the plan. The assumptions were then validated by an independent actuary.

**Other Reserves**
Other Reserves is comprised of reserves for Insurance Premium. The Insurance Premium Reserve is set aside to cover the payment of insurance premium due after the paying period of the Pre-Need Plan.

This is in accordance with the product pricing viability, as approved by IC.

The actuarial formula and methods for the valuation of the Insurance Premium Reserves is based on generally accepted actuarial principles and practice.

**Equity**

*Capital Stock* is determined using the nominal value of shares that have been issued.

*Retained Earnings* include all current and prior period results as disclosed in the Statements of Comprehensive Income.

*Revaluation Reserves* comprise gains and losses due to the revaluation of financial assets from trust fund and other funds.

*Revaluation Reserve from Property and Equipment* pertains to appraisal increments in the market value of a property and equipment.

*Remeasurement Reserve from Defined Benefit Plan* comprises of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets.

**Revenues**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized:

*a. Premium Revenue*

Premiums from sale of pre-need plans are recognized as earned when collected.

*b. Trust Fund Income*

Income generated by the trust fund are included in the "Investment in Trust Fund" account under the assets section of the Statement of Financial Position and credited to trust fund income. This income is restricted to payments as enumerated in Note 8.

*c. Interest Income*

Interest Income shall be recognized in the Statements of Income as it accrues, taking into account the effective yield of the asset or liability or an applicable floating rate. Income and expense includes the amortization of any discount or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

*d. Other Income*

This may include service fee, plan administration and other contract fees, surcharge and amendment fees and miscellaneous income. These are recognized as revenue in the period in which the related services are performed.

**Cost of Contracts Issued**

Cost of Contracts Issued pertains to the increase in PNR as at the current year as compared to the provision for the same period of the previous year; amount of Trust Fund contribution for the year; and, Documentary Stamp Tax and IC registration fees. If there is a decrease in the PNR as a result of new information or new developments, the amount shall be deducted from the cost of contracts issued for the current period. Documentary stamp tax and IC registration fees are expensed as incurred.

**Other Direct Cost and Expenses**
This section includes the following which shall be presented separately in the notes to financial statements:

a. Basic and other commission expenses;
b. Insurance; and
c. Other expenses that constitute direct cost of contracts issued.

**Commissions**
Commissions and other related expenses are due and payable whenever there are collections on pre-need plans that are credited to "Premium Revenue". These are paid only to licensed active agents of the Company.

**Plan Benefits**
Plan benefits pertains to benefits availed by the planholders/beneficiaries that include memorial service and termination benefits except benefits paid from insurance coverage.

**Value-Added Tax (VAT)**
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

The net amount of tax recoverable from the taxation authority is included as part of "Other Assets" account in the Statements of Financial Position.

**Leases**
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***(a) Company as Lessee***

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

***Right-of-use Assets***
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Company depreciate its right-of-use assets over a period of ten (10) years.

***Lease Liabilities***
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at initial application of PFRS 16, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term Leases***
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a renewal or purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

***(b) Company as Lessor***

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

**Income Taxes**
*Current Income Tax*
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the financial reporting date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at financial reporting date.

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

**Employee Benefits**

a. *Defined Benefit Obligation*

Provision for pension obligation is established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employees' final compensation.

Retirement costs are determined using the projected unit credit actuarial valuation method. This method reflects services rendered by an employee up to the date of valuation and incorporates assumptions concerning employee's projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in the other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gain and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement gains/ loss

The net pension liability recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from plans or reduction in the future contributions to the plan.

*b. Compensated Absences and Other Benefits*
The Company recognizes a liability net of amounts already paid on expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, short-term compensated absences, bonuses and non-monetary benefits.

**Provisions and Contingencies**
Provisions are recognized when the Company has an obligation at the reporting date as a result of a past event; it is probable (i.e., more likely than not) that the Company will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date, which is the amount it would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. When the effect of the time value of money is material, the amount of a provision is the present value of the amount expected to be required to settle the obligation at a pre-tax discount rate that reflects current market assessments of time value of money. At each reporting date, the Company reviews provisions and adjusts to reflect the current best estimate of the amount required to settle the obligation. Any adjustment to the amount previously recorded is recognized in profit or loss.

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

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

Transactions between related parties are accounted for at prices or on terms similar to those offered to non-related entities in an economically comparable market.

**Events after the Reporting Period**
Post year-end events that provide additional information about the Company's position at the financial reporting date (adjusting events) are reflected in the financial statements when applicable. Post year-end events that are non-adjusting events are disclosed in the notes when material.

## 4. MANAGEMENT'S USE OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's financial statements require Management to make estimates and assumptions that affect amounts reported in the financial statements. In preparing these financial statements, the Company has made its best estimates and judgments based upon Management's evaluation of the relevant facts and circumstances. The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements:

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

***Product Classification***
The Company has determined that the life plans it issues has significant insurance risk and therefore meets the definition of an insurance contract. These are accounted for under PFRS 4.

***Determination of Lease Term of Contracts with Renewal – Company as a Lessee***
The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

***Operating Leases Commitments – Company as Lessor***
The Company entered into commercial property leases on its investment property and determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Rental income recognized from its lease commitment amounted to ₱391,343 in 2022 and ₱379,807 in 2021, respectively, and is included under Other Income – Miscellaneous Income account *(See Note 23).*

**Estimates and Assumptions**
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

***Estimating the Incremental Borrowing Rate on Lease Liabilities***
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱87,307,633 and ₱138,908,323 as of December 31, 2022 and 2021, respectively *(see Note 30).*

***Estimating Useful Lives of Property and Equipment***
The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

There is no change in estimated useful lives of property and equipment in 2022 and 2021. The net carrying amount of property and equipment are analyzed in Note 12.

***Estimation of Useful Lives of Property and Equipment and Right-of-use Assets***
The Company estimates the useful lives of right-of-use assets based on the period over which the assets are expected to be available-for-use. The estimated useful lives of right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets are analyzed in Note 30. Based on management's assessment as of December 31, 2022 and 2021, there is no change in estimated useful lives of right-of-use assets during those years.

***Impairment of Non-financial Asset***
In assessing impairment, Management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate *(see Note 2)*. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on non-financial assets in 2022, and 2021.

***Impairment of Financial Assets***
The Company determines that the financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. This determination of what is 'significant' and 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' greater than six (6) months. In making this judgment, the Company evaluates, among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, change in technology, and operational and financing cash flows.

Loans and receivables (held in investments in trust funds) amounted to ₱564,116,215 and ₱471,136,606 as of December 31, 2022 and 2021, respectively, which consists of interest receivable mostly from risk-free fixed income debt securities *(Note 8)*. The carrying value of financial assets (held in investments in trust funds) amounted to ₱86,409,078,658 and ₱77,223,692,083 as of December 31, 2022 and 2021, respectively *(See Note 5).*

***Pre-need Reserves***
The Pre-Need Reserves for life plans are determined using an actuarial formula which is based on the Pre-Need Code, its IRR and subsequent guidelines on its implementation.

The assumptions used for the valuation of reserves are consistent with IC rules and regulations. The PNR is determined using the modified net premium method based on the prospective approach and is in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines.

The Company used an interest rate of 6% in computing for the PNR in 2022 and 2021.

*Lapsation Rates*
In line with the IC's requirement, the Company no longer use lapse and withdrawal rates.

The Company also used utilization rates which are based on the Company's experience, imputing margins for conservatism. The Company likewise used contingent benefit costs which are based on actual experience.

The carrying value of PNR as of December 31, 2022 and 2021 amounted to ₱80,026,026,554 and ₱73,377,017,533, respectively *(see Note 16).*

*Sensitivities*
The Company likewise determined the sensitivity of the reserves as regards interest rate. It has measured that a 25 basis points (0.25 percent) decrease in interest rate can affect its reserves by approximately 2.560B and 2.272B in 2022 and 2021, respectively.

***Insurance Premium Reserves (IPR)***
The Company purchases group insurance benefits from an insurance company. Since the payment term of the pre-need plans is shorter than the maximum duration of insurance coverage, the Company sets aside IPR to be able to pay for the insurance premiums due after the paying period.

Some plans still have insurance coverage after the paid up year. Thus, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the installment payment period. Similar to PNR, the calculation uses the same actuarial assumptions, and considers the portion of the future installments allotted for insurance expenses.

IPR presented under "Other Reserves" account in the Statement of Financial Position amounted to ₱1,694,802,693 and ₱1,515,209,332 as of December 31, 2022 and 2021, respectively *(see Note 17).*

***Fair Values of Financial Assets and Liabilities***
The Company caries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the position is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value measurement were determined using verifiable objectives evidence (i.e, foreign exchange rate, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

The related balances follows:

| | **2022** | 2021 |
|---|---|---|
| Financial Assets | **₱4,679,917,254** | ₱4,631,726,746 |
| Other Reserves Fund | **2,074,624,639** | 1,863,545,481 |
| Investment in Trust Fund | **85,577,951,521** | 79,733,397,903 |
| | **₱92,332,493,414** | ₱86,228,670,130 |

***Valuation of Post-Employment Defined Benefit Obligation***
The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense, and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 29.

## 5. RISK MANAGEMENT POLICIES

The Company's enterprise–wide risk management framework establishes policies, operating guidelines, risk tolerance limits and practices for risk management. It also provides oversight to the risk management activities within the Company's business segment, ensuring discipline and consistency are applied to the practice of risk management.

**Governance Framework**
The primary objective to the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives. The Company recognizes the importance of having efficient risk management systems in place in order to meet its financial obligation to its planholders.

The Chief Executive Officer is responsible for establishing and implementing the risk management system to identify, control and manage risks and to continuously report to the BOD on risk management issues.

The Operations Committee, which is composed of senior management, is responsible for the approval of new or modified operations policies and procedures and ensures that all marketing and finance concerns and requirements are addressed by operating departments. All staff members are responsible for taking reasonable and practicable steps to perform their responsibilities and to report through management any incident that may result in unacceptable levels of risk.

**Regulatory Framework**
The operations of the Company are subject to the regulatory requirements of the Securities and Exchange Commission particularly the Insurance Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., pre-need funds are managed by trustee banks and the nature of investment is that the trust funds can be invested in).

**Financial Instruments**

The following table shows the carrying values and fair values of financial assets and financial liabilities recognized as of December 31, 2022 and 2021:

*Held in Trust Funds*

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | **₱1,006,765,437** | **₱1,037,874,541** | ₱797,836,836 | ₱797,836,836 |
| Loans and Receivables | | | | |
| Dividends Receivable | **47,859,620** | **47,859,620** | 33,730,653 | 33,730,653 |
| Others | **516,256,595** | **516,256,595** | 437,405,953 | 437,405,953 |
| Financial Assets | | | | |
| Financial Assets at FVTPL | **29,411,129,291** | **27,444,528,886** | 27,515,316,759 | 28,731,241,575 |
| Financial Assets at FVOCI | **8,848,208,566** | **8,527,097,079** | 15,194,476,763 | 15,192,973,864 |
| Financial Assets at AC | **48,149,740,801** | **48,149,740,801** | 34,513,898,561 | 34,513,898,560 |
| | **₱87,979,960,310** | **₱85,723,357,522** | ₱78,492,665,525 | ₱79,707,087,441 |
| **Financial Liabilities** | | | | |
| Accrued Expenses and Other Liabilities | **₱145,406,001** | **₱145,406,001** | ₱217,320,696 | ₱217,320,696 |

*Not Held in Trust Funds*

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | **₱280,307,292** | **₱280,307,292** | ₱37,159,864 | ₱37,159,864 |
| Loans and Receivables | | | | |
| Dividends Receivable | **3,773,101** | **3,773,101** | 3,294,515 | 3,294,515 |
| Others | **17,345,230** | **17,345,230** | 24,197,628 | 24,197,628 |
| Financial Assets | | | | |
| Financial Assets at FVTPL | **2,147,375,891** | **1,923,451,469** | 2,349,598,298 | 2,314,464,654 |
| Financial Assets at FVOCI | **635,776,857** | **613,835,529** | 1,071,696,712 | 1,074,804,865 |
| Financial Assets at AC | **1,843,331,240** | **1,843,331,239** | 1,186,862,750 | 1,186,862,750 |
| | **₱4,927,909,611** | **₱4,682,043,860** | ₱4,672,809,767 | ₱4,640,784,276 |
| **Financial Liabilities** | | | | |
| Accrued Expenses and Other Liabilities | **₱2,126,606** | **₱2,126,606** | ₱9,057,530 | ₱9,057,530 |

*Held in Other Reserves Fund*

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | **₱39,515,359** | **₱39,515,359** | **₱5,695,739** | **₱5,695,739** |
| Loans and Receivables | | | | |
| Dividends Receivable | **-** | **-** | **521,920** | **521,920** |
| Others | **15,527,643** | **15,527,643** | **12,693,921** | **12,693,921** |
| Financial Assets | | | | |
| Financial Assets at FVTPL | **633,786,675** | **606,619,802** | **585,243,686** | **625,855,844** |
| Financial Assets at FVOCI | **132,875,045** | **128,518,870** | **295,226,514** | **296,239,061** |
| Financial Assets at AC | **1,322,570,829** | **1,322,570,829** | **924,722,357** | **924,722,357** |
| | **₱2,144,275,551** | **₱2,112,752,503** | **₱1,824,104,137** | **₱1,865,728,842** |
| **Financial Liabilities** | | | | |
| Accrued Expenses and Other Liabilities | **₱38,127,864** | **₱38,127,864** | **₱2,183,361** | **₱2,183,361** |

Due to the short-term nature of cash and cash equivalents, short-term investments, loans and receivables, accrued expenses and other liabilities, their carrying values reasonably approximate fair values at year end.

The Table below shows the fair value of the Company's financial assets, Investment Properties and Property and Equipment as of December 31:

| | **2022** | 2021 |
|---|---|---|
| **Level 1** | | |
| **Held in Trust Fund** | | |
| Financial Assets at FVTPL | **₱27,444,528,886** | ₱27,701,665,121 |
| **Not Held in Trust Fund** | | |
| Financial Assets at FVTPL | **1,923,451,469** | 2,314,464,654 |
| **Other Reserves Fund** | | |
| Financial Assets at FVTPL | **606,619,802** | 625,855,844 |
| | **₱29,974,600,157** | ₱30,641,985,619 |

| | **2022** | 2021 |
|---|---|---|
| **Level 2** | | |
| **Held in Trust Fund** | | |
| Financial Assets at AC | **₱48,149,740,801** | ₱34,513,898,560 |
| Financial Assets at FVOCI | **8,527,097,079** | 15,192,973,864 |
| Financial Assets at FVTPL | **-** | 1,029,576,454 |
| **Not Held in Trust Fund** | | |
| Financial Assets at AC | **1,843,331,239** | 1,186,862,750 |
| Financial Assets at FVOCI | **613,835,529** | 1,074,804,865 |
| **Other Reserves Fund** | | |
| Financial Assets at AC | **1,322,570,829** | 924,722,357 |
| Financial Assets at FVOCI | **128,518,870** | 296,239,061 |
| | **₱60,585,094,347** | ₱54,219,077,911 |

| | **2022** | 2021 |
|---|---|---|
| **Level 3** | | |
| **Held in Trust Fund** | | |
| Investment Properties | **₱279,739,958** | ₱243,631,158 |
| **Not Held in Trust Fund** | | |
| Investment Properties | **51,342,000** | 51,342,000 |
| Property and Equipment-Land | **297,250,000** | 297,250,000 |
| | **₱628,331,958** | ₱592,223,158 |

**Financial Risk**

The main purpose of the Company's financial instruments is to fund its operations and meet the financial obligations to its planholders. The company is exposed to financial risk through its financial assets, financial liabilities and pre-need liabilities. The main risks arising from the Company's financial activities are liquidity risk and investment risks. The Board of Directors reviews and agrees on certain policies for managing some of these risks as follows:

*Credit Risk*

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

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy by setting out the assessment and determination of what constitutes credit risk for the Company; providing guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and reviewing credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company makes use of institutions with high credit worthiness. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Deductions from agents' commissions and other cash incentives are made to establish bond reserves. The credit risk in respect to customer balances, incurred on nonpayment of premiums or contributions will only persist during the grace period specified in the plan contract on the expiry of which the policy is either paid up or terminated.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments.

As of December 31, 2022, and 2021, the analysis of debt instruments financial assets follows:

| | **2022** | | | |
|---|---|---|---|---|
| | **Neither past due nor impaired** | **Past due but not impaired** | **Impaired** | **Total** |
| **Cash & Cash Equivalents** | **₱1,135,584,749** | **₱-** | **₱-** | **₱1,135,584,749** |
| **Financial Assets** | **2,758,592,391** | **-** | **-** | **2,758,592,391** |
| **Other Reserves Fund** | **1,506,132,701** | **-** | **-** | **1,506,132,701** |
| **Investment in Trust Fund** | **58,278,828,636** | **-** | **-** | **58,278,828,636** |
| **Other Assets (Rental Deposits)** | **7,534,612** | **-** | **-** | **7,534,612** |
| | **₱63,686,673,089** | **₱-** | **₱-** | **₱63,686,673,089** |

| | 2021 | | | |
|---|---|---|---|---|
| | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
| Cash & Cash Equivalents | ₱1,787,343,023 | ₱- | ₱- | ₱1,787,343,023 |
| Financial Assets | 2,326,319,622 | - | - | 2,326,319,622 |
| Other Reserves Fund | 1,239,872,998 | - | - | 1,239,872,998 |
| Investment in Trust Fund | 50,975,845,866 | - | - | 50,975,845,866 |
| Other Assets (Rental Deposits) | 7,147,607 | - | - | 7,147,607 |
| | ₱56,336,529,116 | ₱- | ₱- | ₱56,336,529,116 |

### *Liquidity Risk*

Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their fair value to meet obligations.

The Company manages liquidity by setting up trust funds, separate and distinct from its paid-up capital established with trustees under trust agreement approved by the Insurance Commission (IC), to pay for the planholders' benefits as provided in the Pre-need plan. The Company also specifies the minimum portion of funds to meet the portfolio mix requirement imposed by the IC with an objective to meet the short-term and long-term financial commitments.

The maturity profile of the Company's financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments follows:

| | **2022** | | | |
|---|---|---|---|---|
| | **Less than 3 months** | **3 to 6 months** | **Over 6 months** | **Total** |
| **Accounts Payable and Accrued Expenses** | | | | |
| Accounts Payable | **₱33,556,698** | **₱-** | **₱-** | **₱33,556,698** |
| Accrued Expenses | **276,830,384** | **-** | **-** | **276,830,384** |
| Insurance Premium Payable | **26,905,511** | **-** | **-** | **26,905,511** |
| Lease Liabilities | **9,609,496** | **17,488,624** | **60,209,513** | **87,307,633** |
| **Other Liabilities** | | | | |
| Counselors Bond Reserve | **-** | **-** | **284,733,849** | **284,733,849** |
| | **₱346,902,089** | **₱17,488,624** | **₱344,943,362** | **₱709,334,075** |

| | 2021 | | | |
|---|---|---|---|---|
| | Less than 3 months | 3 to 6 months | Over 6 months | Total |
| Accounts Payable and Accrued Expenses | | | | |
| Accounts Payable | ₱20,372,723 | ₱- | ₱- | ₱20,372,723 |
| Accrued Expenses | 229,283,777 | - | - | 229,283,777 |
| Insurance Premium Payable | 20,683,881 | - | - | 20,683,881 |
| Lease Liabilities | 13,116,468 | 10,930,390 | 114,861,465 | 138,908,323 |
| Other Liabilities | | | | |
| Counselors Bond Reserve | - | - | 253,139,736 | 253,139,736 |
| | ₱283,456,849 | ₱10,930,390 | ₱368,001,201 | ₱662,388,440 |

### *Market and Investment Risk*

Market and investment risks are the risks arising from the possible decline in the value of acquired assets and investments in equities and debt instruments.

The following policies and procedures are in the place to mitigate the Company's exposure to market risk:

- The trustee bank take positions in debt and other fixed income securities. The trustee bank's risk management activities are aimed at optimizing interest income, managing duration and portfolio positions and facilitate strategy formulation.
- A market risk policy setting out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to top management. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Stipulated diversification benchmark by type of instruments

Cash and cash equivalents and Financial Assets – equity securities are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section.

***Fair Value Interest Rate Risk***
Fair value interest risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments and receivables in particular are exposed to such risk.

To the extent possible, the Company established matching policy for each portfolio of assets and associated liabilities to keep potential losses within acceptable limits. Thus, the exposure to interest rate risk is minimal.

The Company's market risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments; diversification plan; and careful and planned use of financial instruments in order to maximize returns.

The following table shows the information relating to the financial assets that are exposed to fair value interest rate risk and presented by maturity profile:

As at December 31, 2022

*Held in Trust Funds*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.05-5.75% | **₱1,037,874,541** | **₱-** | **₱-** | **₱-** | **₱1,037,874,541** |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 3.33–8.25% | **1,812,267,612** | **4,580,172,802** | **1,264,399,265** | **870,257,400** | **8,527,097,079** |
| Financial Assets at AC | 2.50-8.51% | **2,814,821,368** | **9,240,341,718** | **14,741,406,590** | **21,353,171,125** | **48,149,740,801** |
| Loans and Receivables | | **564,116,215** | **-** | **-** | **-** | **564,116,215** |
| | | **₱6,229,079,736** | ₱13,820,514,520 | ₱16,005,805,855 | ₱22,223,428,525 | **₱58,278,828,636** |

*Not Held in Trust Funds*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.06-5.18% | **₱280,307,292** | **₱-** | **₱-** | **₱-** | **₱280,307,292** |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 2.38-8.25% | **201,792,472** | **288,878,540** | **90,685,702** | **32,478,815** | **613,835,529** |
| Financial Assets at AC | 2.50-8.17% | **88,019,246** | **444,546,008** | **465,231,592** | **845,534,393** | **1,843,331,239** |
| Loans and Receivables | | **21,118,331** | **-** | **-** | **-** | **21,118,331** |
| | | **₱591,237,341** | ₱733,424,548 | ₱555,917,294 | ₱878,013,208 | ₱2,758,592,391 |

*Held in Other Reserves Fund*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.06–4.88% | **₱39,515,359** | **₱-** | **₱-** | **₱-** | **₱39,515,359** |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 3.20-5.50% | **39,481,224** | **46,650,554** | **42,387,092** | **-** | **128,518,870** |
| Financial Assets at AC | 2.79-8.12% | **65,077,026** | **393,424,482** | **424,277,190** | **439,792,131** | **1,322,570,829** |
| Loans and Receivables | | **15,527,643** | **-** | **-** | **-** | **15,527,643** |
| | | **₱159,601,252** | **₱440,075,036** | **₱466,664,282** | **₱439,792,131** | **₱1,506,132,701** |

As at December 31, 2021

*Held in Trust Funds*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.10–1.40% | ₱797,836,836 | ₱- | ₱- | ₱- | ₱797,836,836 |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 1.32–8.15% | 3,407,279,352 | 8,216,353,701 | 2,058,796,254 | 1,510,544,557 | 15,192,973,864 |
| Financial Assets at AC | 1.75-8.51% | 6,239,977,528 | 10,217,857,877 | 10,287,809,241 | 7,768,253,914 | 34,513,898,560 |
| Loans and Receivables | | 471,136,606 | - | - | - | 471,136,606 |
| | | ₱10,916,230,322 | ₱18,434,211,578 | ₱12,346,605,495 | ₱9,278,798,471 | ₱50,975,845,866 |

*Not Held in Trust Funds*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.13–0.65% | ₱37,159,864 | ₱- | ₱- | ₱- | ₱37,159,864 |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 1.54-8.00% | 320,886,514 | 506,111,140 | 122,817,321 | 124,989,890 | 1,074,804,865 |
| Financial Assets at AC | 3.02-8.51% | 209,719,902 | 435,489,995 | 320,690,632 | 220,962,221 | 1,186,862,750 |
| Loans and Receivables | | 16,945,540 | 2,964,690 | 4,488,155 | 3,093,758 | 27,492,143 |
| | | ₱584,711,820 | ₱944,565,825 | ₱447,996,108 | ₱349,045,869 | ₱2,326,319,622 |

*Held in Other Reserves Fund*

| | Range of Interest Rates | Up to a year | 1-3 years | 3-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 0.10 – 1.29% | ₱5,695,739 | ₱- | ₱- | ₱- | ₱5,695,739 |
| Financial Assets: | | | | | | |
| Financial Assets at FVOCI | 1.60-7.18% | 91,156,495 | 119,790,271 | 63,975,803 | 21,316,492 | 296,239,061 |
| Financial Assets at AC | 1.68-7.45% | 45,954,687 | 208,726,370 | 336,534,029 | 333,507,271 | 924,722,357 |
| Loans and Receivables | | 3,592,632 | 1,873,063 | 4,506,648 | 3,243,498 | 13,215,841 |
| | | ₱146,399,553 | ₱330,389,704 | ₱405,016,480 | ₱358,067,261 | ₱1,239,872,998 |

The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The analysis below is performed for reasonably possible movement of the interest rates with all other variables held constant, showing the impact on equity.

| **Change in Yield Rate** | **Impact on Equity Increase (Decrease)** | |
|---|---|---|
| | **2022** | 2021 |
| +1% | **4,932,108** | 45,518,347 |
| -1% | **(4,932,108)** | (45,518,347) |

## 6. CASH AND CASH EQUIVALENTS

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Revolving Funds | **₱3,094,600** | ₱3,094,600 |
| Cash in Banks | **1,031,499,139** | 1,384,248,423 |
| Short-Term Deposits | **100,991,010** | 400,000,000 |
| | **₱1,135,584,749** | ₱1,787,343,023 |

Cash in banks earns interest at the prevailing bank deposits rates.

Short-term deposits are made for varying periods up to three (3) months or less, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term rates that ranged from 0.06% to 5.18% and 0.50% to 2.65% in 2022 and 2021, respectively.

Interest income earned on cash in bank and short-term deposits amounted to ₱906,905 and ₱1,391,765 in 2022 and 2021, respectively.

## 7. FINANCIAL ASSETS

The Company's financial assets are under the Investment Management Account (IMA) with fixed maturity terms with balance amounting to ₱4,679,917,254 and ₱4,631,726,746 as of December 31, 2022 and 2021, respectively.

| | **2022** | 2021 |
|---|---|---|
| Cash and Cash Equivalents | **₱280,307,292** | ₱37,159,864 |
| Loans and Receivables | | |
| Dividends Receivable | **3,773,101** | 3,294,515 |
| Others | **17,345,230** | 24,197,628 |
| Financial Assets | | |
| Financial Assets at FVTPL | **1,923,451,469** | 2,314,464,654 |
| Financial Assets at FVOCI | **613,835,529** | 1,074,804,865 |
| Financial Assets at AC | **1,843,331,239** | 1,186,862,750 |
| | **₱4,682,043,860** | ₱4,640,784,276 |
| **Less: Financial Liabilities** | | |
| Accrued Expenses and Other Liabilities | **2,126,606** | 9,057,530 |
| | **₱4,679,917,254** | ₱4,631,726,746 |

The roll forward of Financial Assets not held in trust fund follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at January 1 | **₱4,631,726,746** | ₱4,214,205,526 |
| Additions (Deductions) | **150,000,000** | 437,999,489 |
| Gain/(Loss) on Change in Fair Value | **(29,122,025)** | (22,856,125) |
| Net Income/(Loss) - (net of Final Tax) | **(72,687,467)** | 2,377,856 |
| Balance at December 31 | **₱4,679,917,254** | ₱4,631,726,746 |

The following table shows the roll forward analysis of Revaluation Reserve from Financial Assets not held in trust fund:

| | **2022** | 2021 |
|---|---|---|
| Balance at January 1 | **₱(505,829)** | ₱22,350,296 |
| Changes in fair value of Financial Asset during the year | **(29,122,025)** | (22,856,125) |
| Transfer to Profit or Loss | **-** | - |
| Balance at December 31 | **₱(29,627,854)** | ₱(505,829) |

## 8. INVESTMENTS IN TRUST FUNDS

The Company has trust funds which are being administered by eight (8) local banks under trust agreements for the fulfillment of the Company's obligations under its pre-need plan agreements. In compliance with Chapter VIII, Section 30 of the Pre-need Code and in accordance with the terms of the trust agreements, no withdrawal shall be made from the trust funds except to: (a) pay all costs, expenses and charges incurred in connection with the administration, preservation, maintenance and protection of the fund or any part thereof, needed for the payment of plan benefits; (b) settle, compromise or abandon all claims and demands in favor of or against the fund, with the prior written consent of the Company; (c) pay/settle termination value payable to planholders and (d) contributions to the trust funds of cancelled plans.

As mandated by the Insurance Commission, an actuarial valuation of the adequacy of the trust funds shall be submitted to the IC within one hundred twenty (120) days after the end of every fiscal year of the Company. Any discrepancy in the funds shall be funded within thirty (30) days after receipt of notice of deficiency from the Insurance Commission.

Annual actuarial valuations of the pre-need contractual commitments are based on the computation prescribed by the Commission. The Company had not experienced any deficiency ever since the PNUCA was formulated.

Based on the actuarial certification issued by an independent accredited actuary, the required pre-need reserve or required balance of the trust funds as of December 31, 2022 and 2021 is ₱80,026,026,554 and ₱73,377,017,533, respectively. The Company has trust funds balance of ₱85,577,951,521 and ₱79,733,397,903 in 2022 and 2021, respectively, to back up its PNR. Total contributions to the trust funds amounted to ₱10,870,494,433 and ₱11,256,204,574 in 2022 and 2021, respectively *(see Note 24)*.

The details of the Company's investment in trust funds per trust fund statements from the trustee banks as of December 31, 2022 and 2021 are as follows.

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | **₱1,037,874,541** | ₱797,836,836 |
| Financial Assets | | |
| Financial Asset at FVTPL | **27,164,788,928** | 28,731,241,575 |
| Financial Asset at FVOCI | **8,527,097,079** | 15,192,973,864 |
| Financial Assets at AC | **48,149,740,801** | 34,513,898,560 |
| Receivables | **564,116,215** | 471,136,606 |
| | **₱85,443,617,564** | ₱79,707,087,441 |
| Investment Properties | **279,739,958** | 243,631,158 |
| | **₱85,723,357,522** | ₱79,950,718,599 |
| **LESS: LIABILITIES** | **145,406,001** | 217,320,696 |
| | **₱85,577,951,521** | ₱79,733,397,903 |

| | 2022 | 2021 |
|---|---|---|
| **EQUITY** | | |
| Fund Balance, Beginning of Year | **₱79,817,848,265** | ₱68,423,625,123 |
| Contributions *(Note 24)* | **10,870,494,433** | 11,256,204,574 |
| Withdrawals | **(4,312,280,753)** | (4,100,368,730) |
| Trust Fund Income | **(367,759,863)** | 4,238,387,298 |
| Fund Balance, End of Year | **₱86,008,302,082** | ₱79,817,848,265 |
| Revaluation Reserve from Financial Assets | **(430,350,561)** | (84,450,362) |
| | **₱85,577,951,521** | ₱79,733,397,903 |

**Financial Assets Held in Trust Funds**
The assets included in each of the categories above are detailed below:

**a) Cash and Cash Equivalents**
The breakdown of cash and cash equivalents follows:

| | 2022 | 2021 |
|---|---|---|
| Cash in Bank | **₱93,809,236** | ₱41,715,352 |
| Special Savings Deposits | **321,465,052** | 563,057,638 |
| Time Deposits | **567,482,744** | 192,964,787 |
| Demand Deposits | **55,117,509** | 99,059 |
| | **₱1,037,874,541** | ₱797,836,836 |

Cash and cash equivalents earn interest ranging from 0.05% to 5.75% and 0.06% to 1.10% in 2022 and 2021, respectively.

Interest income earned on cash and cash equivalents amounted to ₱1,546,292 and ₱5,362,540 in 2022 and 2021, respectively.

**b) Financial Assets**

*Financial Assets at FVTPL*

| | **2022** | 2021 |
|---|---|---|
| **At fair value** | | |
| Equity Securities –Listed Shares | **₱26,471,487,703** | ₱27,701,665,121 |
| Units in Mutual Funds and UITF | **693,301,225** | 1,029,576,454 |
| | **₱27,164,788,928** | ₱28,731,241,575 |

*Financial Assets at FVOCI*

| | **2022** | 2021 |
|---|---|---|
| Debt Securities | **₱8,530,477,584** | ₱15,198,933,803 |
| Less: Allowance for Credit Losses | **3,380,505** | 5,959,939 |
| | **₱8,527,097,079** | ₱15,192,973,864 |

The net unrealized gains (losses) in respect of financial assets transferred to other comprehensive income amounted to ₱(345,900,200) and ₱300,901,263 as of December 31, 2022 and 2021, respectively.

Investment in government debt securities mainly represent fixed rate government treasury bonds with annual interest rates ranging from 3.33% to 8.25% and 1.11% to 8.15% in 2022 and 2021, respectively.

**c) Receivables**
This account consists only of interest receivables mostly from risk-free government securities amounting to ₱564,116,215 and ₱471,136,606 as of December 31, 2022 and 2021, respectively.

**d) Investment Properties**

| | **Land** | **Building** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| Balance at January 1, 2022 | ₱161,104,896 | ₱- | ₱161,104,896 |
| Addition | - | | - |
| Balance At December 31, 2022 | 161,104,896 | - | 161,104,896 |
| | | | |
| **Valuation Adjustments** | | | |
| Balance at January 1, 2022 | 82,526,262 | - | 82,526,262 |
| Adjustment | 36,108,800 | - | 36,108,800 |
| Balance At December 31, 2022 | 118,635,062 | - | 118,635,062 |
| **Carrying Value** | **₱279,739,958** | - | **₱279,739,958** |

The estimated fair value of this investment property, based on valuations performed by an independent and professionally qualified appraiser, amounting to ₱279,739,958 and ₱243,631,158 as of December 31, 2022 and 2021, respectively.

The recording of the revaluation gain/loss was in accordance with the standard/limit set by the Commission (Pre-need Code (RA 9829) Section 34) under Investment of the Trust Fund letter (c) Real Estate which states that, "in case the appraisal would result in an increase of the value, only sixty percent (60%) of the appraisal increase is allowed to be recorded but in case of decline in value, the entire decline shall be recorded."

Pursuant to Sections 36 of Republic Act No. 9829, otherwise known as the Pre-Need Code of the Philippines, the IC issued Guidelines to Pre-need Corporations and entities authorized to engage in trust operations to govern the management and administration of Trust funds established for the payment of pre-need benefits under plan contracts, and to provide an updated and more flexible choice of investments for the trust fund, subject to the rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.
The more significant provisions relating to Investments in Trust Funds follow:

i Investments in trust funds shall be limited to fixed income instruments, mutual funds, equities and real estate;

ii Fixed income instruments shall include:
  - i Government securities which shall not be less than 10% of the trust equity;
  - ii Savings/time deposits and common trust fund with a commercial bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas:
  - iii Commercial papers duly registered with the SEC with a minimum credit rating of "1" for short-term and "AAA" for long-term commercial papers, based on the rating scale of an accredited Philippine rating agency or its equivalent at the time of investment. The maximum exposure of long-term commercial papers shall not exceed 15% of the total trust fund equity, while exposure to each commercial paper issuer shall not exceed 10% of the allocated amount;
  - iv Direct loans to corporations that are financially stable, profitable for the last three (3) years and have a good track of paying previous loans from the trust fund. These loans shall be fully secured by a real estate mortgage of up to 60% of the appraised value of the property, at the time the loan was granted. The maximum amount to be allocated for direct loans shall not exceed 5% of the total trust fund, while the amount to be granted to each corporate borrower shall not exceed 10% of the amount allocated and the maximum term shall be three (3) years;

Investment in equities shall be limited to stocks listed in the main board of the Philippine Stock Exchange. These shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three (3) years. The amount allocated for this purpose shall not exceed 30% of the total trust fund while the investment in any particular issue shall not exceed 10% of the allocated amount.

iii Real estate shall include properties located in strategic areas of cities and first-class municipalities and shall be appraised every three (3) years by a licensed real estate appraiser duly accredited by the Philippine Association of Real Estate Appraisers, to reflect the increase or decrease in the value of the property. In case of appraisal, only 60% of the appraisal increase is allowed to be recorded in the books of the trust fund but in case of decline in value, the entire value of the decline is recorded. The total recorded value of the real estate investment shall not exceed 15% of the total trust fund equity.

iv Not less than 15% of the net value of the trust fund assets per type of plan shall be set aside as a liquidity reserve to cover the benefits due to planholders; and v The Commission may, at its discretion, demand for the conversion to cash or to other near cash assets of the investments made by the trustee to protect the interest of the planholders.

The Company has consistently complied with the Insurance Commission's (IC) implementing guidelines of the New Pre-Need Code on Investments in Trust Funds.

## 9. OTHER RESERVES FUND

Other Reserves Fund pertains to Insurance Premium Fund which consists of:

| | **2022** | 2021 |
|---|---|---|
| Cash in Bank | **₱39,515,359** | ₱5,695,739 |
| Financial Assets | **2,057,709,501** | 1,846,817,262 |
| Loans and Other Receivables | **15,527,643** | 13,215,841 |
| | **₱2,112,752,503** | ₱1,865,728,842 |
| Less: Liabilities | **38,127,864** | 2,183,361 |
| | **₱2,074,624,639** | ₱1,863,545,481 |

The roll forward of account follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at January 1 | **₱1,863,545,481** | ₱1,523,510,280 |
| Additional Contribution | **220,000,000** | 255,000,000 |
| | **₱2,083,545,481** | ₱1,778,510,280 |
| Changes in fair value of Financial Assets during the year | **(7,317,031)** | (5,286,491) |
| Net Income (net of Final Tax) | **(1,603,811)** | 90,321,691 |
| Balance at December 31 | **₱2,074,624,639** | ₱1,863,545,481 |

***Cash in Bank***
Cash in Bank represents demand, savings and time deposits with interest rates ranging from 0.06% to 4.88% and 0.06% to 0.10% per annum in 2022 and 2021, respectively.

***Financial Assets***
Financial Assets consist of:

| | **2022** | 2021 |
|---|---|---|
| Financial Asset at FVTPL | **₱606,619,802** | ₱625,855,844 |
| Financial Asset at FVOCI | **128,518,870** | 296,239,061 |
| Financial Asset at AC | **1,322,570,829** | 924,722,357 |
| | **₱2,057,709,501** | ₱1,846,817,262 |

The following table shows the roll forward analysis of "Revaluation Reserves from Financial Assets" on other reserves Fund:

| | **2022** | 2021 |
|---|---|---|
| Balance at January 1 | **₱(441,147)** | ₱4,845,344 |
| Gain/ (Loss) on Change in Fair Value | **(7,317,031)** | (5,286,491) |
| Balance at December 31 | **₱(7,758,178)** | ₱(441,147) |

***Loans and Receivables***
Loans and receivables pertain to investment in unquoted debt securities classified as loans, accrued interest income and dividends receivables.

## 10. PREPAYMENTS AND OFFICE SUPPLIES

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Office Supplies | **₱11,058,788** | ₱6,427,437 |
| Prepayments on Rental & Other Assets | **13,893,750** | 9,989,217 |
| | **₱24,952,538** | ₱16,416,654 |

## 11. INVESTMENTS IN SUBSIDIARIES

The details of the account are as follows as at December 31, 2022 and 2021:

| | | Acquisition Cost | | | |
|---|---|---|---|---|---|
| | Percentage of Ownership | December 31, 2021 | Additions | **December 31, 2022** | **2022 Carrying Value** |
| **Spring of Life Memorial Park Dev't. Corp.** | 100% | ₱31,241,000 | ₱293,734,700 | **₱324,975,700** | **₱324,975,700** |
| **New Frontier Memorial Chapel Dev't. Corp.** | 100% | 1,574,886,600 | 524,757,000 | **2,099,643,600** | **2,099,643,600** |
| | | ₱1,606,127,600 | ₱818,491,700 | **₱2,424,619,300** | **2,424,619,300** |

| | | Acquisition Cost | | | |
|---|---|---|---|---|---|
| | Percentage of Ownership | December 31, 2020 | Additions | **December 31, 2021** | **2021 Carrying Value** |
| **Spring of Life Memorial Park Dev't. Corp.** | 100% | ₱31,241,000 | ₱- | **₱31,241,000** | **₱31,241,000** |
| **New Frontier Memorial Chapel Dev't. Corp.** | 100% | 637,454,100 | 937,432,500 | **1,574,886,600** | **1,574,886,600** |
| | | ₱668,695,100 | ₱937,432,500 | **₱1,606,127,600** | **₱1,606,127,600** |

On December 8, 2015, the Company invested 100% equity interest in Spring of Life Memorial Park Dev't. Corp. and New Frontier Memorial Chapel Dev't. Corp., both incorporated in the Philippines. Spring of Life Memorial Park Dev't Corp. primarily engaged in operating, managing and developing memorial parks, cemeteries and columbaria, while New Frontier Memorial Chapel Dev't. Corp. is on operating and maintaining real estate for funeral parlors purposes, funeral chapels, mortuaries, and crematoria.

During the year 2022, the Company subscribed and paid additional shares of New Frontier Memorial Chapel Dev't. Corp. amounting to ₱524,757,000 and Spring of Life Memorial Park Dev't Corp. amounting to ₱293,734,700.

In 2021, the Company paid its subscription to New Frontier Memorial Chapel Dev't. Corp. subscribed and paid additional shares amounting to ₱937,432,500.

The summarized financial statements of the Subsidiaries are provided below:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **SLMPDC** | **NFMCDC** | SLMPDC | NFMCDC |
| **Statement of Financial Position** | | | | |
| Total Assets | **₱324,487,230** | **₱2,254,373,888** | ₱32,941,699 | ₱1,595,301,149 |
| Total Liabilities | **-** | **1,243,213** | - | 1,278,598 |
| Total Equity | **324,487,230** | **2,253,130,675** | 32,941,699 | 1,594,022,551 |
| **Statement of Comprehensive Income** | | | | |
| Revenue | **156,576** | **197,219,613** | 46,770 | 3,130,909 |
| Expenses | **3,135,836** | **63,375,492** | 105,032 | 14,397,154 |
| Net Income | **(2,204,469)** | **134,108,125** | (69,540) | (8,949,969) |

## 12. PROPERTY AND EQUIPMENT, NET

The roll forward analysis of the property and equipment carried at cost, except for land which is measured at revalued amount is as follows:

| **2022** | **Land** | **Building** | **Furniture & Fixtures** | **Office Equipment** | **Transportation Equipment** | **Leasehold Improvement** | **Total** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **January 1** | **₱297,250,000** | **₱306,241,264** | **₱30,831,721** | **₱195,632,118** | **₱71,491,050** | **₱1,753,089** | **₱903,199,242** |
| **Acquisitions** | **-** | **-** | **617,477** | **21,806,508** | **10,850,000** | **-** | **33,273,985** |
| **Disposals / Write-off** | **-** | **-** | **(3,350,066)** | **(62,959,420)** | **(16,712,214)** | **(866,370)** | **(83,888,070)** |
| **December 31** | **₱297,250,000** | **₱306,241,264** | **₱28,099,132** | **₱154,479,206** | **₱65,628,836** | **₱886,719** | **₱852,585,157** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| **January 1** | **₱-** | **₱53,519,685** | **₱29,960,621** | **₱163,735,441** | **₱67,273,114** | **₱1,743,045** | **₱316,231,906** |
| **Depreciation** | **-** | **15,312,063** | **555,702** | **20,087,802** | **4,304,610** | **10,044** | **40,270,221** |
| **Disposals** | **-** | | **(3,350,066)** | **(62,959,420)** | **(16,712,214)** | **(866,370)** | **(83,888,070)** |
| **December 31** | **₱-** | **₱68,831,748** | **₱27,166,257** | **₱120,863,823** | **₱54,865,510** | **₱886,719** | **₱272,614,057** |
| **Net Book Value At December 31, 2022** | **₱297,250,000** | **₱237,409,516** | **₱932,875** | **₱33,615,383** | **₱10,763,326** | **₱-** | **₱579,971,100** |

| 2021 | Land | Building | Furniture & Fixtures | Office Equipment | Transportation Equipment | Leasehold Improvement | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| January 1 | ₱297,250,000 | ₱306,241,264 | ₱30,241,292 | ₱171,537,310 | ₱71,281,764 | ₱1,753,089 | ₱878,304,719 |
| Acquisitions | - | - | 590,429 | 24,094,808 | 209,286 | - | 24,894,523 |
| Revaluation Reserve | - | - | - | - | - | - | - |
| December 31 | ₱297,250,000 | ₱306,241,264 | ₱30,831,721 | ₱195,632,118 | ₱71,491,050 | ₱1,753,089 | ₱903,199,242 |
| Accumulated Depreciation and Amortization | | | | | | | |
| January 1 | ₱- | ₱38,207,622 | ₱25,602,821 | ₱145,126,551 | ₱60,108,104 | ₱1,509,786 | ₱270,554,884 |
| Depreciation | - | 15,312,063 | 4,357,800 | 18,608,890 | 7,165,010 | 233,259 | 45,677,022 |
| December 31 | ₱- | ₱53,519,685 | ₱29,960,621 | ₱163,735,441 | ₱67,273,114 | ₱1,743,045 | ₱316,231,906 |
| Net Book Value At December 31, 2021 | ₱297,250,000 | ₱252,721,579 | ₱871,100 | ₱31,896,677 | ₱4,217,936 | ₱10,044 | ₱586,967,336 |

Depreciation and amortization expense charged to general and administrative expense amounted to ₱40,270,221 and ₱45,677,022 in 2022 and 2021, respectively.

Movement of land is as follows:

| | 2022 | 2021 |
|---|---|---|
| **Cost** | | |
| Balance at January 1 | **₱160,714,286** | ₱160,714,286 |
| Addition | **-** | - |
| Balance at December 31 | **160,714,286** | 160,714,286 |
| | | |
| **Valuation Adjustments** | | |
| Balance at January 1 | **136,535,714** | 136,535,714 |
| Adjustment | **-** | - |
| **Balance at December 31** | **136,535,714** | 136,535,714 |
| **Carrying Value** | **₱297,250,000** | ₱297,250,000 |

Management has reviewed the carrying values of property and equipment as of December 31, 2022 for any impairment. Based on its evaluation, there were no indications that the assets are impaired.

## 13. INVESTMENT PROPERTIES

The details of Investment Properties are as follows:

| | TCT No. | Acquisition Cost | Amount at Fair Value |
|---|---|---|---|
| Marilao, Bulacan | T-481221 | ₱18,100,000 | **₱43,454,000** |
| San Pascual, Batangas | T-83919 | 1,279,000 | **7,888,000** |
| **Total** | | ₱19,379,000 | **₱51,342,000** |

Movement of Investment Properties is as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | **₱51,342,000** | ₱33,043,000 |
| Additions/Disposal | **-** | - |
| Gain on Change in Fair Value | **-** | 18,299,000 |
| Balance at December 31 | **₱51,342,000** | ₱51,342,000 |

The fair value of investment properties for the year ended December 31, 2022 is based from the latest appraisal report by an independent appraiser dated May 26 and 27, 2021.

Rental income earned from investment properties amounted to ₱391,343 and ₱379,807 in 2022 and 2021, and is included under Other Income – Miscellaneous Income account *(See Note 23)*.

Real property tax paid on the investment properties amounted to ₱14,011 in 2022 and ₱15,630 in 2021 are included under general and administrative expenses - taxes and licenses.

## 14. OTHER ASSETS

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Rental Deposit | **₱7,534,612** | ₱7,147,607 |

*Rental Deposit* pertains to security payment for the lease on the Company's branch offices.

## 15. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Accounts Payable and Accrued Expenses | **₱310,387,082** | ₱249,656,500 |
| Taxes Payable | **166,614,147** | 140,318,184 |
| Other Current Liabilities | **30,421,276** | 23,768,905 |
| | **₱507,422,505** | ₱413,743,589 |

*Accounts Payable* represent liabilities of the Company on the conduct of trade and business, mainly for purchase made on credit. These are non-interest-bearing and are generally settled in less than sixty (60) days' term.

*Accrued Expenses* are noninterest bearing and are generally settled upon receipt of actual billings. Withholding taxes payable and output vat are generally settled in less than thirty (30) days' term.

*Taxes Payables* includes taxes withheld from compensation of employees and other taxes including Output Value Added Tax (VAT).

*Other Current Liabilities* comprise mainly of insurance premium payable and SSS/PHIC/HDMF payables which are generally settled in less than thirty (30) days' term.

## 16. PRE-NEED RESERVES (PNR)

Under Pre-Need Rule 31, as amended, the requirements of PFRS 4 shall be complied with in determining the reserves for life plans. The Modified Net Premium Reserving Method was used in determining the pre-need reserves. The reserves were determined using a discount rate of 6% per annum in 2022 and 2021.

Details are as follows:

| Traditional Life Plans | **2022** | 2021 |
|---|---|---|
| In-Force Plans | **₱78,198,535,514** | ₱71,972,136,967 |
| Lapsed | **1,827,491,040** | 1,404,880,566 |
| Total | **₱80,026,026,554** | ₱73,377,017,533 |

The carrying value of PNR as of December 31, 2022 and 2021 amounted to ₱80,026,026,554 and ₱73,377,017,533, respectively, which resulted to an increase in PNR of ₱6,649,009,021.

Increase (Decrease) in PNR for the years ended December 31 consists of the following:

| Traditional Life Plans | 2022 | 2021 |
|---|---|---|
| In Force Plans | **₱6,226,398,547** | ₱10,708,769,814 |
| Lapsed | **422,610,474** | 89,058,682 |
| Total | **₱6,649,009,021** | ₱10,797,828,496 |

Plan Benefit payments for the years ended December 31 are broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| Mortuary Cost | **₱1,581,262,805** | ₱1,665,166,875 |
| Plan Termination Benefits | **2,731,017,948** | 2,435,201,855 |
| Total | **₱4,312,280,753** | ₱4,100,368,730 |

The Company no longer used lapse and withdrawal rates in line with the Insurance Commission's requirement. No other decrement, other than utilization rate, was used after payment period of the plan.

Insurance Premium Reserves (IPR) was likewise set-up for the cost of purchasing the insurance benefits after payment period. The same discount rate of 6% was likewise used to arrive at the IPR *(see Note 17).*

The actuarial formula, methods and assumptions used for the valuation are based on generally accepted actuarial principles and practice.

## 17. OTHER RESERVES

This account consists of Insurance Premium Reserve amounting to ₱1,694,802,693 and ₱1,515,209,332 as of December 31, 2022 and 2021, respectively.

The Insurance Premium Reserve represents reserve for fully paid plans that are still covered by cash assistance benefit.

Increase in Insurance Premium Reserve amounted to ₱179,593,361 and ₱198,807,291 as of December 31, 2022 and 2021, respectively.

## 18. OTHER LIABILITIES

This pertains to Counselors' bond reserves which represent the aggregate amount of deductions from agents' commissions to accumulate a reserve. Upon separation of an agent from the Company, his accountability will be charged to this reserve. The balance as of December 31, 2022 and 2021 amounted to ₱284,733,849 and ₱253,139,736, respectively.

Movement of Other Liabilities is as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | **₱253,139,736** | ₱206,689,920 |
| Additions | **46,705,500** | 58,211,500 |
| Payments | **(15,111,387)** | (11,761,684) |
| Balance at December 31 | **₱284,733,849** | ₱253,139,736 |

## 19. CAPITAL STOCK

Capital Stock

| | Number of Shares | | Amount | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Authorized Capital Stock** - ₱100 par value | **30,000,000** | 30,000,000 | **₱3,000,000,000** | ₱3,000,000,000 |
| **Outstanding Shares** | | | | |
| Outstanding Shares at January 1 | **13,600,000** | 13,600,000 | **₱1,360,000,000** | ₱1,360,000,000 |
| Issuance/Reacquisition | **-** | - | **-** | - |
| **Outstanding Shares, December 31** | **13,600,000** | 13,600,000 | **₱1,360,000,000** | ₱1,360,000,000 |

As of December 31, 2022, the Company has nine (9) stockholders owning 100 or more shares each of the Company's capital stock.

Retained Earnings

The cumulative balance of retained earnings as of December 31, 2022 and 2021 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Retained Earnings – Trust Fund | **₱11,542,411,776** | ₱11,910,171,639 |
| Retained Earnings | **1,574,334,911** | 1,452,067,033 |
| | **₱ 13,116,746,687** | ₱13,362,238,672 |

At a meeting of the Board held on May 18, 2022, the Board approved the distribution of a cash dividend to stockholders of record as of May 18, 2022 from the unrestricted retained earnings available for cash dividends amounting to ₱680,000,000. The Company paid the dividends on June 15, 2022 and July 4, 2022.

## 20. PREMIUM REVENUE

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Realized Income | **₱9,297,766,582** | ₱8,187,709,764 |
| Trust Fund Contribution (VAT Exempt) | **10,807,696,686** | 11,263,963,500 |
| | **₱20,105,463,268** | ₱19,451,673,264 |

## 21. TRUST FUND INCOME

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Income on: | | |
| Government Securities/Other Securities and Debt Instruments | **₱19,253,219** | ₱3,183,728,695 |
| Cash and Cash Equivalents | **6,661,554** | 5,362,540 |
| Dividend Income | **1,120,325,862** | 826,155,476 |
| Realized Equity Securities Losses | **(1,128,070,423)** | 544,127,714 |
| Trust Fees and Other Investment Expenses | **(385,930,075)** | (320,987,127) |
| | **₱(367,759,863)** | ₱4,238,387,298 |

*Trust Fees and Other Investment Expenses* pertains to the amount paid to the trustee banks as compensation for their services and other expenses and charges incurred in connection with the administration, preservation, maintenance and protection of the fund.

## 22. INVESTMENTS INCOME

Details of this account follows:

| | 2022 | 2021 |
|---|---|---|
| Income on: | | |
| Government Securities/Other Securities and Debt Instruments | **₱(4,162,095)** | ₱200,617,798 |
| Cash and Cash Equivalents | **5,512,341** | 3,034,450 |
| Dividend Income | **97,804,218** | 87,665,893 |
| Realized Equity Securities Losses | **(137,182,463)** | 49,787,936 |
| Trust Fees and Other Investment Expenses | **(33,422,917)** | (27,658,687) |
| | **₱(71,450,916)** | ₱313,447,390 |

## 23. OTHER INCOME

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Handling and Other Fees | **₱1,032,217,817** | ₱1,107,282,967 |
| Miscellaneous Income | **15,448,749** | 35,404,357 |
| | **₱1,047,666,566** | ₱1,142,687,324 |

*Handling and Other Fees* pertains to service charges to a planholder to cover for the plan administration services, surrenders and other contract fees.

*Miscellaneous Income* consists mainly of rental fee, Interest Income earned on cash in bank and short-term deposits, fair value gain on investment properties and other miscellaneous charges.

## 24. TRUST FUND CONTRIBUTION (VAT Exempt)

The Trust Fund contribution for 2022 and 2021 amounting to ₱10,807,696,686 and ₱11,263,963,500, respectively, are not equal to the total contributions cited in Note 8 due to the deposits made in 2022 and 2021 to fund the Pre-Need reserve computed on a monthly basis done by the Company.

Reconciliation is as follows:

| | **2022** | 2021 |
|---|---|---|
| Trust fund contribution, per books | **₱10,807,696,686** | ₱11,263,963,500 |
| Trust fund contribution in December 2020 deposited on January 20, 2021 | **-** | 1,075,404,224 |
| Trust fund contribution in December 2021 deposited on January 20, 2022 | **1,083,163,149** | (1,083,163,149) |
| Trust fund contribution in December 2022 deposited on January 20, 2023 | **(1,020,365,402)** | - |
| **Trust Fund Contribution, per bank** | **₱10,870,494,433** | ₱11,256,204,574 |

## 25. OTHER DIRECT COSTS AND EXPENSES

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Collection Administration, Recruitment and Training Expenses | **₱3,878,376,861** | ₱3,516,428,955 |
| Direct Marketing Commission and Expenses | **2,808,694,927** | 2,147,593,602 |
| Insurance | **950,407,481** | 705,826,213 |
| | **₱7,637,479,269** | ₱6,369,848,770 |

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Salaries, Wages and Employee Benefits | **₱567,893,534** | ₱547,825,156 |
| Taxes and Licenses | **117,669,446** | 112,018,332 |
| Depreciation and Amortization *(Note 12, 30)* | **92,597,403** | 92,560,028 |
| Light, Water and Communication | **68,860,054** | 52,769,348 |
| Office Supplies | **52,123,800** | 47,296,704 |
| Training and Conference | **36,149,812** | 9,260,586 |
| Transportation Expense | **25,801,500** | 9,455,712 |
| Repairs and Maintenance | **25,774,050** | 22,447,746 |
| SSS, Philhealth and Pag-ibig | **25,464,748** | 23,414,689 |
| Professional and Management Fees | **19,494,897** | 11,256,941 |
| Entertainment and Recreation | **5,500,259** | 2,291,616 |
| Advertising and Promotions | **4,501,556** | 10,555,941 |
| Other General & Administrative Expenses | **13,038,127** | 12,131,038 |
| | **₱1,054,869,186** | ₱953,283,837 |

*Other General and Administrative Expenses* consist of membership dues, donations and contributions and other miscellaneous small amount expenses of the Company.

## 27. INCOME TAXES

Provision of income tax consist of:

| *(In Philippine Peso)* | **2022** | 2021 |
|---|---|---|
| Current | **335,217,702** | ₱384,494,344 |
| Deferred | **15,445,251** | 23,735,888 |
| **Income Tax Expense** | **350,662,953** | ₱ 408,230,232 |

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit and loss is as follows:

| | **2022** | 2021 |
|---|---|---|
| Statutory Income tax | **196,292,742** | ₱660,754,345 |
| Effect of CREATE Tax Rate | **-** | (32,701,166) |
| Tax effect of Permanent Differences | | |
| Trust Fund Loss/(Income) | **91,939,966** | (1,059,596,825) |
| Investment Income/(Loss) | **17,862,729** | (78,361,848) |
| Other Nontaxable Income/ Nondeductible Expense | **44,567,516** | 918,135,726 |
| **Income Tax Expense** | **350,662,953** | ₱ 408,230,232 |

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the Regular Corporate Income Tax (RCIT) rate from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax rate (MCIT) was changed from 2% to 1% of gross income for a period of three years starting July 1, 2020.

An analysis of deferred tax asset/liability to the following as of December 31:

| *(In Philippine Peso)* | **2022** | 2021 |
|---|---|---|
| **Deferred Tax Asset** | | |
| Lease Liability | **21,826,908** | ₱ 34,727,081 |
| | | |
| **Deferred Tax Liability** | | |
| Net Pension Asset | **83,747,353** | 47,379,584 |
| Right of Use Asset | **22,360,303** | 35,442,098 |
| Fair Value Gain on: | | |
| Investment Properties | **7,990,750** | 7,990,750 |
| Property and Equipment | **34,133,928** | 34,133,928 |
| **Deferred Tax Liability, Net** | **126,405,426** | ₱90,219,279 |

Movement of deferred tax asset presented in Statement of Income and Other Comprehensive Income is as follows:

| | Profit or Loss | | Other Comprehensive Income | |
|---|---|---|---|---|
| *(In Philippine Peso)* | **2022** | 2021 | **2022** | 2021 |
| **Deferred Tax Asset** | | | | |
| Lease Liability | **12,900,173** | (6,976,167) | **-** | - |
| **Deferred Tax Liability** | | | | |
| Net Pension Asset | **15,626,873** | 18,796,683 | **(20,740,895)** | (42,606,107) |
| Right of Use Asset | **(13,081,795)** | 8,023,822 | **-** | - |
| Fair Value Gain on: | | | | |
| Investment Properties | **-** | 3,891,550 | **-** | - |
| | **15,445,251** | 23,735,888 | **(20,740,895)** | (42,606,107) |

## 28. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions with related parties. None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances were unsecured and are usually settled in cash. Summary of the significant transactions with related parties as at December 31, 2022 and 2021 are as follows:

| | Nature of Transactions | Amount of Transactions | |
|---|---|---|---|
| | | **2022** | 2021 |
| **Related Party** | | | |
| Entities under Common Control | **Mortuary Services** | **₱1,244,275,687** | ₱1,288,108,409 |
| Affiliates | **Leases** | **1,440,000** | 1,440,000 |
| **Stockholders** | **Dividends** | **680,000,000** | 340,000,000 |
| **Key Management** | **Compensation** | **103,114,600** | 95,071,500 |

Related party transactions has no outstanding balance as of December 31, 2022 and 2021.

### *a. Mortuary Services to Related Parties*

The Company's transactions with the related parties represent payment of funeral and mortuary services to the following affiliates for the period ended December 31, 2022 and 2021. These transactions bear no interest with credit terms ranging from 15 to 30 days and included as part of plan benefits under increase/(decrease) in pre-need reserve including trust fund contributions and benefits account in the statement of income.

| | **2022** | 2021 |
|---|---|---|
| St. Peterlife Memorial Homes (Luzon), Inc. | **₱275,186,816** | ₱286,813,526 |
| St. Peterlife Memorial Homes (Visayas), Inc. | **257,009,963** | 265,298,112 |
| St. Peterlife Memorial Homes (Mindanao), Inc. | **195,939,122** | 226,035,041 |
| St. Peter Chapels Luzon, Inc. | **111,086,704** | 110,016,638 |
| Golden Gate Memorial Chapels, Inc. | **86,165,677** | 81,015,309 |
| St. Peter Memorial Chapels, Inc. | **82,335,399** | 83,076,183 |
| St. Peter Chapels Northern Luzon, Inc. | **79,977,630** | 77,782,585 |
| Family Choice Memorial Chapels, Inc. | **73,895,089** | 65,243,386 |
| St. Peter Chapels Southern Luzon Inc. | **54,543,035** | 58,574,856 |
| St. Peter Chapels Mindanao West, Inc. | **28,136,252** | 34,252,773 |
| | **₱1,244,275,687** | ₱1,288,108,409 |

### *b. Dividends Declaration*

At a meeting of the Board held on May 18, 2022, the Board approved the distribution of a cash dividend to stockholders of record as of May 18, 2022 from the unrestricted retained earnings available for cash dividends amounting to ₱680 million.

### c. Leases

The Company leased out part of its office building to its affiliates and is included under Other Income – Miscellaneous Income account *(See Note 30*).

### *d. Compensation of Key Management Personnel*

Key management personnel of the Company include all officers with position of vice president and up.

| | **2022** | 2021 |
|---|---|---|
| Salaries and Wages | **₱102,687,000** | ₱94,542,500 |
| Other Benefits | **427,600** | 529,000 |
| | **₱103,114,600** | ₱95,071,500 |

## 29. POST EMPLOYMENT BENEFITS

The Company has a defined benefit plan, covering substantially all of its regular employees, which requires contribution to be made to administered funds. The regular retirement age is at least 60 with minimum of 5 years of service. The fund is being administered by a Trustee Bank and is authorized to invest the fund as it deems proper. Actuarial valuation is being updated by an independent actuary every year.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2022 by Asian Actuaries, Inc. The present value of the defined benefit obligation, the related current service cost was measured using the projected unit credit method.

The principal actuarial assumptions used in determining pension obligations for the Company's retirement plan are shown below:

| | **2022** | 2021 |
|---|---|---|
| Discount rate | **6.98%** | 5.08% |
| Rate of salary increase | **5.50%** | 5.50% |

The Company applies asset-liability matching techniques to maximize investments returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by ₱85,313,079 (increase by ₱101,786,215).
- If the expected salary growth increases (decreases) by 100 basis points, the defined obligation would increase by ₱94,245,804 (decrease by ₱80,777,632).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The following tables summarize the components of defined benefit cost recognized in the Statements of Income and the funded status and amounts recognized in the statement of financial positions for the plan:

Movements in the Present Value of the Defined Benefit Obligation are as follows:

| | **2022** | 2021 |
|---|---|---|
| Defined Benefit Obligation, Beginning | **₱874,879,651** | ₱960,428,258 |
| Current Service Cost | **56,247,788** | 71,089,938 |
| Interest Cost | **48,819,614** | 22,346,532 |
| Benefits Paid | **(65,440,561)** | (3,046,571) |
| Remeasurement - Actuarial Losses/(Gains) arising form: | | |
| Changes in Financial Assumptions | **(157,750,978)** | (175,938,506) |
| **Defined Benefit Obligation, Ending** | **₱756,755,514** | ₱874,879,651 |

Movements in the fair value of plan assets are as follows:

| | **2022** | 2021 |
|---|---|---|
| Fair Value of Plan Assets, Beginning | **₱1,064,397,986** | ₱913,684,236 |
| Actual Return on plan asset | **(25,032,024)** | 20,407,307 |
| Contributions | **117,819,522** | 133,353,014 |
| Benefits paid | **(65,440,561)** | (3,046,571) |
| **Fair Value of Plan Assets, Ending** | **₱1,091,744,923** | ₱1,064,397,986 |

The details of the fair value of plan assets follow:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Cash and cash equivalents** | **₱70,671,211** | **₱70,868,770** | ₱56,846,951 | ₱56,879,789 |
| Equity investments categorized by industry type: | | | | |
| - Holding Firms | **95,954,441** | **84,140,640** | 105,937,032 | 97,044,620 |
| - Services | **29,013,037** | **29,546,641** | 31,638,347 | 36,205,013 |
| - Property | **113,879,952** | **102,741,722** | 108,904,036 | 120,174,690 |
| - Industrial | **105,557,486** | **99,023,188** | 101,345,220 | 97,944,177 |
| - Financials | **40,977,369** | **41,725,758** | 47,975,976 | 43,040,917 |
| - Mining and Oil | **2,625,645** | **2,352,900** | - | - |
| Subtotal | **₱388,007,930** | **₱359,530,849** | 395,800,611 | 394,409,417 |
| Debt investments categorized by issuer's credit rating: | | | | |
| - AAA | **₱279,902,057** | **₱269,474,284** | 147,639,568 | 150,998,675 |
| - BA2 | **-** | **-** | - | - |
| - not rated | **-** | **-** | - | - |
| Subtotal | **₱279,902,057** | **₱269,474,284** | 147,639,568 | 150,998,675 |
| **Government Securities** | **₱380,625,673** | **₱380,380,342** | 440,697,090 | 456,470,358 |
| Others | | | | |
| - Receivables | **₱12,180,247** | **₱12,180,247** | 6,263,882 | 6,263,882 |
| Subtotal | **₱12,180,247** | **₱12,180,247** | 6,263,882 | 6,263,882 |
| **Total assets** | **₱1,131,387,118** | **₱1,092,434,492** | 1,047,248,102 | 1,065,022,121 |
| **Less: Financial Liabilities** | | | | |
| Accrued Expenses and Other Liabilities | **₱689,569** | **₱689,569** | 624,135 | 624,135 |
| **Total Fair Value of Plan Assets** | **₱1,130,697,549** | **₱1,091,744,923** | ₱1,046,623,967 | ₱1,064,397,986 |

The plan assets consist of the following:

- Cash and cash equivalents includes regular savings and time deposits;
- Investments in government securities and bonds bear interest ranging from 3% to 7.7% and have maturities ranging from 2013 to 2037;
- Investments in equity securities consist of companies listed in the Philippine Stock Exchange (PSE).
- Other assets include accrued interest income on cash deposits and debt securities held by the Retirement Plan.

Net pension liability recognized in the statement of financial position follows:

| | **2022** | 2021 |
|---|---|---|
| Defined Benefit Obligation, Ending | **₱756,755,514** | ₱874,879,651 |
| Fair Value of Plan Assets, Ending | **₱1,091,744,923** | 1,064,397,986 |
| **Net Pension (Asset) Liability** | **₱(334,989,409)** | ₱(189,518,335) |

Movement in the Net Pension Liability for the years ended December 31, 2022 and 2021 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Net Pension (Asset) Liability At January 1 | **₱(189,518,335)** | ₱46,744,022 |
| Defined Benefit Cost | **55,312,029** | 67,515,085 |
| Contributions | **(117,819,522)** | (133,353,014) |
| Remeasurement Gain/(Losses) | **(82,963,581)** | (170,424,427) |
| **Net Pension (Asset) Liability At December 31** | **₱(334,989,409)** | ₱(189,518,335) |

The component of defined benefit cost recognized in profit or loss is as follows:

| | **2022** | 2021 |
|---|---|---|
| Current Service Cost | **₱56,247,788** | ₱71,089,939 |
| Interest Cost on Benefit Obligation | **(935,759)** | (3,574,854) |
| **Defined Benefit Cost** | **₱55,312,029** | ₱67,515,085 |

Recognized in Other Comprehensive Income

| | **2022** | 2021 |
|---|---|---|
| Remeasurement (Gain) Loss on Plan Asset | **₱74,787,397** | ₱5,514,079 |
| Actuarial Loss (Gain) Due to Decrease in Defined Benefit Obligation | **(157,750,978)** | (175,938,506) |
| **Other Comprehensive Loss/(Gain)** | **₱(82,963,581)** | ₱(170,424,427) |

Shown below is the maturity analysis of the undiscounted expected benefits payments:

| | **2022** | 2021 |
|---|---|---|
| Less than a year | **₱1,900,181** | ₱899,238 |
| More than 1 year to less than 2 years | **5,890,210** | 1,861,223 |
| More than 2 year to less than 5 years | **19,513,263** | 26,450,066 |
| More than 5 years | **4,422,067,299** | 4,239,813,509 |

## 30. COMMITMENTS AND CONTINGENCIES

### a. *Lease Commitments*

*Company as Lessee*
The Company has entered into various lease agreements for its sub-office spaces. These leases have remaining lease terms ranging from one to 10 years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5% to 10%. Total rental payment for the year 2022 and 2021 amounted to ₱60,629,731 and ₱57,019,824, respectively.

The roll forward analysis of right-of-use assets is follows:

| | **2022** | 2021 |
|---|---|---|
| **Cost** | | |
| At January 1 | **₱271,339,937** | ₱182,157,049 |
| Termination/Write-Off | **-** | (5,685,602) |
| Additions | **-** | 94,868,490 |
| At December 31 | **₱271,339,937** | ₱271,339,937 |
| | | |
| **Accumulated Depreciation** | | |
| At January 1, | **₱129,571,549** | ₱88,374,145 |
| Termination/Write-Off | **-** | (5,685,602) |
| Depreciation | **52,327,183** | 46,883,006 |
| At December 31 | **₱181,898,732** | ₱129,571,549 |
| Net Book Value | **₱89,441,205** | ₱141,768,388 |

The following are the amounts recognized in the Statements of Income:

| | **2022** | 2021 |
|---|---|---|
| Depreciation Expense of ROU | **₱52,327,183** | ₱46,883,006 |
| Interest Expense of Lease Liabilities | **9,029,041** | 6,167,960 |
| Rental Expense of Short-term Leases | **-** | - |
| | **₱61,356,224** | ₱53,050,966 |

The roll forward analysis of lease liabilities:

| | **2022** | 2021 |
|---|---|---|
| At January 1, | **₱138,908,323** | ₱94,891,696 |
| Interest Expense | **9,029,041** | 6,167,960 |
| Additions | **-** | 94,868,491 |
| Payments | **(60,629,731)** | (57,019,824) |
| At December 31 | **₱87,307,633** | ₱138,908,323 |

Shown below is the maturity analysis of the undiscounted lease payments:

| | **2022** | 2021 |
|---|---|---|
| Within One Year | **₱23,363,274** | ₱4,870,022 |
| More than One Year to Five Years | **129,211,968** | 200,886,797 |
| More than Five Years | **1,570,093** | 1,794,392 |
| | **₱154,145,335** | ₱207,551,211 |

*Company as Lessor*

The Company leased out part of its office building to its affiliates. The leases have a term of one year, renewable at the option of the lessees subject to such terms and conditions as may be acceptable to the lessor. Such lease agreement was recognized under the operating lease method. Total earned rental income amounted to ₱1,440,000 in 2022 and ₱1,440,000 in 2021, respectively, and is included under Other Income – Miscellaneous Income account *(See Note 23)*

*b.* ***Contingencies***
The Company is contingently liable with respect to possible claims and lawsuits arising in the ordinary conduct of business. Management and its legal counsel believe that the final resolution of claims or lawsuits, if any, will not have a material effect on the Company's financial statements.

## 31. CAPITAL MANAGEMENT

**Governance Framework**
The Company's risk management function has developed and implemented certain minimum stress and scenario tests, through cash flow statements, that will serve as a tool in meeting its working capital requirements and mitigate the risk of insolvency to a selected remote level.

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

The policies define the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align strategies to the corporate goals and specify reporting requirements.

**Capital Management Framework**
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company's capital management is structured to build value for shareholders and satisfy the requirement for future long-term investments. This entails resource allocation to maximize profit. The Company manages its capital structure and makes adjustments to it. The Company may adjust its current policies that satisfy dividend payments, return of capital and issuance of new shares to maintain capital structure.

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account of each business unit, are reported to the Company's risk management function.

No changes were made in the Company's capital management objectives, policies and processes for the years ended December 31, 2022 and 2021, respectively.

Starting 2009, externally imposed capital requirements are set and regulated by the IC. These requirements are put in place to ensure sufficient solvency margins. Chapter III, Section 9 of the Pre-need Code: Paid-up Capital, states that for existing pre-need companies offering a single type of plan, the minimum paid-up capital is ₱50,000,000.

As of December 31, 2022, the Company has complied with the minimum paid-up capital requirement with a total paid-up capital amounting to ₱1,360,000,000.

## 32. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

| 2022 | **Lease Liabilities** | **Dividends Payable** | **Total** |
|---|---|---|---|
| Balance as of January 1, 2022 | **₱138,908,323** | **₱-** | **₱138,908,323** |
| Cash flows from/(to) financing activities | | | |
| Lease Payments | **(60,629,731)** | **-** | **42,571,649** |
| Payment of Dividends | **-** | **(680,000,000)** | **(680,000,000)** |
| Non-cash Financing Activities | | | |
| Dividends Declaration | **-** | **680,000,000** | **680,000,000** |
| Interest – Lease Liability | **9,029,041** | **-** | **9,029,041** |
| Balance as of December 31, 2022 | **₱87,307,633** | **₱-** | **₱87,307,633** |

| 2021 | Lease Liabilities | Dividends Payable | Total |
|---|---|---|---|
| Balance as of January 1, 2021 | ₱94,891,696 | ₱- | ₱94,891,696 |
| Cash flows from/(to) financing activities | | | |
| Lease Payments | (57,019,824) | | 37,848,667 |
| Payment of Dividends | | (340,000,000) | (340,000,000) |
| Non-cash Financing Activities | | | |
| Dividends Declaration | - | 340,000,000 | 340,000,000 |
| Additions | 94,868,491 | - | - |
| Interest – Lease Liability | 6,167,960 | - | 6,167,960 |
| Balance as of December 31, 2021 | ₱138,908,323 | ₱- | ₱138,908,323 |

## 33. OTHER SIGNIFICANT DISCLOSURES

***Impact of COVID-19***

On March 11, 2020, the World Health Organization has declared the coronavirus outbreak disease 2019 (COVID-19) outbreak to be a global pandemic. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of public health standards and community quarantine in order to contain the spread of COVID-19.

The impact of COVID-19 to the Company's business operations relates to certain operational adjustments to ensure appropriate response to the effects of COVID-19. In response to this matter, the Company innovated operational strategy in order to adapt to the 'new normal mindset', minimized operating expenses, implemented cost saving measures and ensured compliance with health and safety guidelines to protect employees, contractors and customers. The Company assessed that COVID-19 impact did not result to material changes in the overall operations of the Company for the year ended December 31, 2022.

The Company continues to monitor the risks and on-going COVID-19 impact to its business.

## 34. CURRENT AND NONCURRENT CLASSIFICATION OF ASSETS AND LIABILITIES

As of December 31, 2022 and 2021, the Company's classification of its accounts is as follows:

| **2022** | **Current** | **Noncurrent** | **Total** |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | **₱1,135,584,749** | **₱-** | **₱1,135,584,749** |
| Financial Assets | **2,512,562,204** | **2,167,355,050** | **4,679,917,254** |
| Investments in Trust Fund | **33,248,462,663** | **52,329,488,858** | **85,577,951,521** |
| Other Reserves Fund | **728,093,190** | **1,346,531,449** | **2,074,624,639** |
| Prepayments and Office Supplies | **24,952,538** | **-** | **24,952,538** |
| Investments in Subsidiaries | **-** | **2,424,619,300** | **2,424,619,300** |
| Property and Equipment (net) | **-** | **579,971,100** | **579,971,100** |
| Investment Properties | **-** | **51,342,000** | **51,342,000** |
| Right-of-Use Assets | **-** | **89,441,205** | **89,441,205** |
| Net Pension Asset | **-** | **334,989,409** | **334,989,409** |
| Other Assets | **-** | **7,534,612** | **7,534,612** |
| Total Assets | **₱37,649,655,344** | **₱59,331,272,983** | **₱96,980,928,327** |
| | | | |
| **Liabilities** | | | |
| Accrued Expenses and Other Liabilities | **₱507,422,505** | **₱-** | **₱507,422,505** |
| Income Tax Payable | **111,114,009** | **-** | **111,114,009** |
| Pre-Need Reserves | **-** | **80,026,026,554** | **80,026,026,554** |
| Other Reserves | **-** | **1,694,802,693** | **1,694,802,693** |
| Lease Liabilities | **34,153,293** | **53,154,340** | **87,307,633** |
| Deferred Tax Liabilities | **-** | **126,405,426** | **126,405,426** |
| Other Liabilities | **-** | **284,733,849** | **284,733,849** |
| | **₱652,689,807** | **₱82,185,122,862** | **₱82,837,812,669** |

| 2021 | Current | Noncurrent | Total |
|---|---|---|---|
| Assets | | | |
| Cash and Cash Equivalents | ₱1,787,343,023 | ₱- | ₱ 1,787,343,023 |
| Financial Assets | 2,890,118,943 | 1,741,607,803 | 4,631,726,746 |
| Investments in Trust Fund | 39,430,151,201 | 40,303,246,702 | 79,733,397,903 |
| Other Reserves Fund | 770,072,036 | 1,093,473,445 | 1,863,545,481 |
| Prepayments and Office Supplies | 16,416,654 | - | 16,416,654 |
| Investments in Subsidiaries | - | 1,606,127,600 | 1,606,127,600 |
| Property and Equipment (net) | - | 586,967,335 | 586,967,335 |
| Investment Properties | - | 51,342,000 | 51,342,000 |
| Right-of-Use Assets | - | 141,768,388 | 141,768,388 |
| Net Pension Asset | - | 189,518,335 | 189,518,335 |
| Other Assets | - | 7,147,607 | 7,147,607 |
| Total Assets | ₱44,894,101,857 | ₱45,721,199,215 | ₱90,615,301,072 |
| | | | |
| Liabilities | | | |
| Accrued Expenses and Other Liabilities | ₱413,743,589 | ₱- | ₱413,743,589 |
| Income Tax Payable | 118,339,066 | - | 118,339,066 |
| Pre-Need Reserves | - | 73,377,017,533 | 73,377,017,533 |
| Other Reserves | - | 1,515,209,332 | 1,515,209,332 |
| Lease Liabilities | 52,465,874 | 86,442,449 | 138,908,323 |
| Deferred Tax Liabilities | - | 90,219,279 | 90,219,279 |
| Other Liabilities | - | 253,139,736 | 253,139,736 |
| | ₱584,548,529 | ₱75,322,028,329 | ₱75,906,576,858 |

## 35. SUPPLEMENTARY INFORMATION UNDER RR 15-2010

As required by Revenue Regulation 15-2010 issued by the Bureau of Internal Revenue, the details on taxes duties and licenses fees paid or incurred during the taxable year is as follows:

**Output VAT**

| | 2022 |
|---|---|
| | ₱1,239,597,432 |

The Company's sales of services are based on actual premium collections received less trust fund contributions, hence may not be the same amount recognized in the Statements of Income.

The Company has no output VAT arising from sales of goods, zero-rated sales and exempt sales.

**Input VAT**

| | 2022 |
|---|---|
| Balance, January 1 | ₱- |
| Current year's purchases/payments for: | |
| Goods other than for resale or manufacture | 8,428,476 |
| Capital goods subject to amortization | 3,992,878 |
| Services lodged under other accounts | 28,919,908 |
| Total | 41,341,262 |
| Claims for input tax, tax credit/refund and other adjustments | 41,341,262 |
| **Balance, December 31** | ₱- |

The Company has no input VAT arising from purchases of goods for resale/ manufacture or further processing, capital goods not subject to amortization and services lodged under cost of goods sold.

**Information on the Company's Importations**
The Company has no importations during the year.

**Other Taxes and Licenses**
This includes all other taxes, local and national, including licenses and permit fees, fringe benefits taxes and documentary stamp taxes lodged under the caption "Taxes and Licenses" account under the "General and Administrative Expenses" and "Documentary Stamp Tax and SEC Registration Fees" account under the "Cost of Contracts Issued" sections in the Statements of Comprehensive Income:

| | **2022** |
|---|---|
| ***Other Taxes and Licenses*** | |
| *Charged to Cost of Contracts Issued* | |
| Documentary Stamp Tax | **₱39,634,327** |
| Registration fees | **55,882,170** |
| | **₱95,516,497** |
| *Charged to General and Administrative Expenses* | |
| Business Taxes and Assessments | **₱ 117,538,850** |
| Registration Fees and Others | **130,596** |
| | **₱117,669,446** |
| **Total** | **₱213,185,943** |

**Withholding Taxes**
Details of withholding taxes for the years ended December 31, 2022 are as follows:

| | **2022** |
|---|---|
| Withholding tax on compensation and benefits | **₱59,734,331** |
| Expanded withholding taxes | **506,394,013** |
| Withholding tax on dividends | **68,000,000** |
| | **₱634,128,344** |

**Tax Assessments and Cases**
There are no deficiency tax assessments or tax cases, litigation and/or prosecution in courts or bodies outside the administration of the BIR.

- Nothing follows -