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Ayala Plans, Inc.

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

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Ayala Plans, Inc.
8th Floor BPI Buendia Center,
Sen. Gil J. P uyat Ave., Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ayala Plans, Inc. (the "Company") as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the Philippines for pre-need companies as described in Note 24 to the financial statements.

What we have audited

The financial statements of the Company comprise:

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue (BIR) Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 90670
PTR No. 0024586, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 152-015-124
BIR A.N. 08-000745-047-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 6, 2022

Ayala Plans, Inc.

Statements of Financial Position
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
CASH	2	24,102,879	28,837,906
INVESTMENTS IN TRUST FUNDS	3	3,183,360,229	3,769,318,153
INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	4		
Company-managed		1,835,197	1,416,288
Insurance premium fund		3,761,735	4,156,302
INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4		
Company-managed		14,242,095	6,795,757
Insurance premium fund		12,282,163	15,576,234
OTHER INVESTMENTS		4,000,000	3,000,000
LOANS AND RECEIVABLES, net	5	3,164,778	3,195,326
PROPERTY AND EQUIPMENT, net	6	758,514	1,569,038
OTHER ASSETS	7	2,866,116	2,529,515
Total assets		3,250,373,706	3,836,394,519
LIABILITIES AND EQUITY			
PRE-NEED RESERVES	3	2,229,533,711	2,715,597,988
INSURANCE PREMIUM RESERVES	4	13,586,977	16,279,218
DUE TO RELATED PARTIES	20	403,266	338,303
ACCRUED EXPENSES AND OTHER LIABILITIES	8	666,109,015	609,667,286
Total liabilities		2,909,632,969	3,341,882,795
SHARE CAPITAL	10	100,000,000	100,000,000
SHARE PREMIUM		775,000,000	775,000,000
DEFICIT		(632,654,462)	(600,336,844)
ACCUMULATED OTHER COMPREHENSIVE INCOME	10	98,395,199	219,848,568
Total equity		340,740,737	494,511,724
Total liabilities and equity		3,250,373,706	3,836,394,519

(The notes on pages 1 to 37 are integral part of these financial statements)

Ayala Plans, Inc.

Statements of Income
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
INCOME			
Premium income, gross of trust fund contribution of P206,418 (2020 - P10,956)		171,030	9,930
Trust fund income, gross of provision for income tax of P22,525,909 (2020 - P28,299,578)	3	110,582,739	156,658,517
Fair value gains (losses) on investments		1,072,818	(430,983)
Interest income	12	961,218	1,103,771
Gain on sale of investments	4	112,455	2,207,736
Dividend income	20	89,348	69,327
Policy income		17,500	15,718
Others		100,247	4,526
		113,107,355	159,638,542
EXPENSES			
Costs of contracts issued	13		
Plan benefits		595,266,601	569,624,429
Decrease in pre-need and insurance premium reserves		(488,756,518)	(317,652,085)
Documentary stamp taxes and SEC registration fees		342	116
Other direct costs and expenses	14		
Insurance		3,261,704	3,826,147
General and administrative expenses			
Salaries, wages and employee benefits	15	8,649,490	8,721,576
Outsourcing services		1,790,329	5,386,918
Professional fees		767,351	633,584
Depreciation		345,524	399,436
Office supplies		281,547	67,240
Occupancy costs	17	123,597	32,000
Advertising and promotions		120,496	-
Interest expense	17,20	32,213	1,450,403
Others		855,684	1,229,816
		122,738,360	273,719,580
LOSS BEFORE INCOME TAX		(9,631,005)	(114,081,038)
INCOME TAX EXPENSE	18	22,686,613	28,495,243
NET LOSS FOR THE YEAR		(32,317,618)	(142,576,281)

(The notes on pages 1 to 37 are integral part of these financial statements)

Ayala Plans, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
LOSS FOR THE YEAR		(32,317,618)	(142,576,281)
OTHER COMPREHENSIVE (LOSS) INCOME	10		
Item that may be subsequently reclassified to profit or loss			
Changes in fair value of investments at fair value through other comprehensive income		(123,806,752)	76,854,793
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) on retirement benefit obligation	16	2,353,383	(2,913,332)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(121,453,369)	73,941,461
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(153,770,987)	(68,634,820)

(The notes on pages 1 to 37 are integral part of these financial statements)

Ayala Plans, Inc.

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

	Share capital (Note 10)	Share premium (Note 10)	Accumulated comprehensive income (Note 10)	Deficit	Total
Balance, January 1, 2020	100,000,000	775,000,000	145,907,107	(457,760,563)	563,146,544
Comprehensive loss					
Net loss for the year	-	-	-	(142,576,281)	(142,576,281)
Other comprehensive income	-	-	73,941,461	-	73,941,461
Total comprehensive income (loss) for the year	-	-	73,941,461	(142,576,281)	(68,634,820)
Balance, December 31, 2020	100,000,000	775,000,000	219,848,568	(600,336,844)	494,511,724
Comprehensive loss					
Net loss for the year	-	-	-	(32,317,618)	(32,317,618)
Other comprehensive loss	-	-	(121,453,369)	-	(121,453,369)
Total comprehensive loss for the year	-	-	(121,453,369)	(32,317,618)	(153,770,987)
Balance, December 31, 2021	100,000,000	775,000,000	98,395,199	(632,654,462)	340,740,737

(The notes on pages 1 to 37 are integral part of these financial statements)

Ayala Plans, Inc.

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES			
Cash absorbed by operations	19	(529,399,237)	(397,571,188)
Final income taxes paid	18	(22,686,613)	(28,495,243)
Interest received		1,001,035	1,169,032
Dividends received		89,348	69,327
Net cash used in operating activities		(550,995,467)	(424,828,072)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net withdrawals from trust funds	3	551,435,743	440,840,092
Acquisitions of investments at fair value through other comprehensive income	4	(50,692,553)	(47,476,174)
Proceeds from:			
Disposals and maturities of investments at fair value through other comprehensive income		45,425,001	57,524,070
Disposals of property and equipment		465,000	-
Net cash from investing activities		546,633,191	450,887,988
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments on lease liabilities, including interest	17	(372,750)	(657,760)
Payment of borrowings from Parent Bank	20	-	(50,000,000)
Proceeds on borrowings from Parent Bank	20	-	35,000,000
Net cash used in financing activities		(372,750)	(15,657,760)
NET (DECREASE) INCREASE IN CASH		(4,735,026)	10,402,156
CASH	2		
January 1		28,837,906	18,435,750
December 31		24,102,880	28,837,906

(The notes on pages 1 to 37 are integral part of these financial statements)

Ayala Plans, Inc.

Notes to the Financial Statements
As at and for the years ended December 31, 2021 and 2020
(All amounts are shown in Philippine Peso, unless otherwise stated)

1 - General information

Ayala Plans, Inc. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 23, 1994, primarily to engage in selling education and pension pre-need plans. The Company is a subsidiary of Bank of the Philippine Islands (BPI or the Parent Bank), a domestic commercial bank with an expanded banking license, which is also its ultimate parent.

The Company has 6 regular employees as at December 31, 2021 (2020 - 7).

In July 2019, the SEC approved the Company's registration of its new office address, which is also its principal place of business, at 8th Floor BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.

Coronavirus pandemic

The pandemic which broke out in March 2020 forced governments all over the world, including the Philippines, to implement community lockdowns and quarantines to mitigate the spread of the virus. Unfortunately, these lockdowns caused the demands for goods and services to plummet which ultimately led to the contraction of both the global and domestic economies.

In response to the growing number of COVID-19 cases in the country, Republic Act (RA) No. 11469, otherwise known as "Bayanihan to Heal as One Act" (Bayanihan I) was enacted in March 2020 which granted the President of the Republic of the Philippines additional powers to combat the pandemic and aid certain vulnerable sectors of the economy. In September 2020, Republic Act (RA) No. 11494, known as "Bayanihan to Recover as One Act" (Bayanihan II) was also enacted to further augment the country's COVID-19 response to accelerate the recovery and bolster the resiliency of the Philippine economy.

The pandemic remains the topmost concern of the government and businesses alike. The Philippine economy is gradually opening with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government commenced in the first quarter of 2021 is expected to ramp up with increasing vaccination coverage in fourth quarter of 2021, and is hoped to slow down and contain the spread of the virus and boost confidence among businesses and consumers.

Overall, the COVID-19 outbreak did not have significant impact on the Company's business operations, results of operations, financial position and cash flows in 2021 and 2020, including its going concern assessmentin the next 12 months.

While the pandemic still poses some risk and uncertainties, the Company, however, remains confident on its ability to absorb some conceivable financial shocks that may rise dueto volatile economic conditions.

These financial statements have been approved and authorized for issuance by the Company's Board of Directors (the "Board") on April 6, 2022.

2 Cash

As at December 31, 2021, the account consists entirely of peso-denominated cash in banks amounting to P24,102,879 (2020 -P28,837,906).

Cash in banks bear interest rates ranging from 0.25% to 0.35% in 2021 and 2020. Interest earned from cash in banks for the year ended December 31, 2021 amounts to P36,352 (2020 - P75,389) (Note 12).

3 Investments in trust funds

The Company has trust funds which are being administered by BPI Asset Management and Trust Company (BPI-AMTC) under trust agreements for the fulfillment of the Company's obligations under its pre-need plans. In compliance with the implementing rules and regulations 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, inclusive of insurance expenses needed for the payment of benefits; (b) settle, compromise, or abandon all claims and demands in favor of or against the fund, with prior written consent of the Company; and (c) engage in investing activities.

Accumulated trust fund income included in the Company's deficit account amounts to P6,189 million for the year ended December 31, 2021 (2020 - P6,101 million).

The Company has classified and measured its investments in trust funds based on the business model and the contractual terms of the cash flows arising from its investments. In the determination of the business model, the Company considers its past experience on how the cash flows for these investments were collected, how the investments' performance is evaluated, and the risks are assessed and managed.

The Company's investments in trust funds at December 31 consist of the following:

	2021			
	Education	Pension	Total	2020
Assets				
Cash	1,742	2,048	3,790	29,516
Investment at fair value through profit or loss (FVTPL)				
Investment in shares of stock	202,915,464	716,639,465	919,554,929	883,257,529
Unit investment trust fund	99,232,604	71,779,521	171,012,125	117,458,010
Investment at fair value through other comprehensive income (FVOCI)				
Investments in government securities, net	399,513,446	1,511,775,282	1,911,288,728	2,250,007,455
Other debt instruments	30,407,412	105,165,610	135,573,022	208,769,005
Deposit instruments	-	-	-	228,350,000
Accrued interest income	7,857,956	32,672,116	40,530,072	40,666,077
Other receivables	2,489,466	4,266,224	6,755,690	42,386,520
Total assets	742,418,090	2,442,300,266	3,184,718,356	3,770,924,112
Payables	(323,918)	(1,034,209)	(1,358,127)	(1,605,959)
Net assets	742,094,172	2,441,266,057	3,183,360,229	3,769,318,153

	2021			
	Education	Pension	Total	2020
Fund balance				
January 1	950,595,227	2,818,722,926	3,769,318,153	4,003,789,946
Translation difference	-	-	-	(142,334)
Additional contributions	118,615	87,803	206,418	10,956
Withdrawals	(213,868,433)	(337,773,727)	(551,642,160)	(440,851,048)
Net change in fair value Reserve	(11,135,839)	(111,443,173)	(122,579,012)	78,151,694
Sub-total	725,709,570	2,369,593,829	3,095,303,399	3,640,959,214
Income for the year, net of tax of P22,525,909 (2020 - P28,299,578)	16,384,602	71,672,228	88,056,830	128,358,939
December 31	742,094,172	2,441,266,057	3,183,360,229	3,769,318,153

The terms of investments in trust funds until contractual maturity is disclosed in Note 9.

Investments in shares of stock include listed common shares of related companies (Note 20).

Unit investments in trust funds pertain to placements in BPI's Short-Term Fund managed by a related party (Note 20).

Investments in peso-denominated government securities bear effective interest at rates in 2021 ranging from 2.8% to 12% (2020 - 2.8% to 12%). Interest income earned on these investments, net of tax, amounts to P81.59 million for the year ended December 31, 2021 (2020 - P99.73 million).

Other debt instruments pertain to fixed rate bonds of various private corporations. Interest income earned on other debt instruments amounts to P8.40 million for the year ended December 31, 2021 (2020- P13 million).

Aggregate dividends received on listed common stocks amount to P26.11 million for the year ended December 31, 2021 (2020 - P24.81 million).

Peso-denominated deposit instruments pertain to special deposit accounts maintained with the Bangko Sentral ng Pilipinas carrying prevailing market interest rate and maturing in less than one (1) year.

Other receivables include dividend receivables and due from brokers which represent receivables for securities sold that have been contracted for but not yet settled or delivered at the end of the reporting period.

Movements in the investments at FVOCI for the years ended December 31 follow:

	2021	2020
At January 1	2,687,126,460	3,012,149,266
Additions	24,811,496,930	11,975,883,261
Maturities/disposals	(14,319,699)	(578,828,130)
Changes in net unamortized premium	(25,314,862,929)	(11,800,229,631)
Fair value (loss) gain	(122,579,012)	78,151,694
At December 31	2,046,861,750	2,687,126,460

The aggregate net gain recognized from disposal of investments at FVOCI amounts to P0.6 million for the year ended December 31, 2021 (2020 - P2.2 million).

Fair value gain recognized from investments at FVTPL amounts to P10.2 million for the year ended December 31, 2021 (2020 - P18.9 million loss).

Pre-need reserves at December 31, 2021 amounting to P2.2 billion (2020 - P2.7 billion) are fully matched by the balance of the trust funds. As at December 31, 2021, the balance of investment in trust funds in excess of the pre-need reserves set-up amounts to P953.8 million (2020 - P1,053.7 million).

4 Investments at FVTPL; Investments at FVOCI

The company-managed investments at December 31 consist of:

	2021		2020	
	Investments at FVTPL	Investments at FVOCI	Investments at FVTPL	Investments at FVOCI
Government securities	-	14,242,095	-	5,535,757
Listed equity securities	488,408	-	423,120	-
Mutual fund	1,346,789	-	993,168	-
Deposit instruments	-	-	-	1,260,000
	1,835,197	14,242,095	1,416,288	6,795,757

The Company's insurance premium fund at December 31 consists of:

	2021		2020	
	Investments at FVTPL	Investments at FVOCI	Investments at FVTPL	Investments at FVOCI
Government securities	-	12,282,163	-	14,526,234
Listed equity securities	3,554,023	-	3,549,149	-
Mutual fund	207,712	-	607,153	-
Deposit instruments	-	-	-	1,050,000
	3,761,735	12,282,163	4,156,302	15,576,234

The Company's insurance premium fund is restricted to cover the payment of insurance premium reserves. At December 31, 2021, insurance premium reserves amount to P13.6 million (2020 - P16.3 million). The excess of insurance premium over the insurance premium reserves set-up as at December 31, 2021 amounts to P2.5 million (2020 - P3.4 million).

As at December 31, 2021 and 2020, all investments are denominated in Philippine peso.

The movements in investments at FVOCI for the years ended December 31 follow:

	2021	2020
At January 1	22,371,991	25,496,762
Additions	50,692,553	47,476,174
Disposals and maturities	(53,076,446)	(55,316,334)
Amortization of discount	7,763,900	6,012,290
Fair value loss	(1,227,740)	(1,296,901)
At December 31	26,524,258	22,371,991

Investments in government securities bear effective interest at rates ranging from 3.20% to 6.40% in 2021 and 2020. Interest income earned on these investments amounts to P0.8 million for the year ended December 31, 2021 (2020 - P0.9 million) (Note 12).

Investments in listed equity securities include listed common shares of related parties (Note 20). Aggregate dividends received on all listed common stocks in 2021 amount to P0.1 million (2020 - P0.1 million).

Investments in mutual fund pertain to placements in Ayala Life Fixed-income Mutual fund Peso Bond Fund, a related party under common control (Note 20).

Peso-denominated deposit instruments pertain to special deposit accounts maintained with the Bangko Sentral ng Pilipinas carrying prevailing market interest rate and maturing in less than one (1) year.

The aggregate net gain recognized from disposal of investments for the year ended December 31, 2021 amounts to P0.1 million (2020 - P2.2 million). Proceeds from sale amount to P45.4 million (2020 - P57.5 million).

The Company's investments are under the custodianship of BPI-AMTC (Note 20).

5 Loans and receivables, net

The account at December 31 consists of:

	2021	2020
Receivable from sales counselors	2,101,595	2,024,295
Loans and advances to employees	841,986	937,702
Accrued interest income	195,640	235,457
Others	2,127,152	2,022,167
	5,266,373	5,219,621
Allowance for impairment	(2,101,595)	(2,024,295)
	3,164,778	3,195,326

Provision for impairment on receivable from sales counselors for the year ended December 31, 2021 amounted to P77,300 (2020 - nil).

Other receivables pertain mainly to taxes receivable.

The detailed accounting policy for expected credit losses (ECL) is disclosed in Note 24.2.4 and information on the credit quality of loans and receivables is presented in Note 22.

6 Property and equipment, net

Details of property and equipment at December 31 follow:

	2021	2020
Opening net book value	1,569,038	2,038,982
Depreciation	(345,524)	(399,436)
Disposals	(465,000)	-
Adjustment	-	(70,508)
Closing net book value	758,514	1,569,038
Cost	4,063,889	5,445,378
Accumulated depreciation	3,305,375	3,876,340
Net book value	758,514	1,569,038

The account consists of furniture, equipment and leasehold improvement.

In 2021, proceeds from disposals of property and equipment is equal to their carrying amounts.

The adjustment in 2020 relates to lease modification (Note 17), following the change in the terms of the lease.

7 Other assets

The account at December 31 consists of:

	2021	2020
Input and prepaid documentary tax	2,460,201	2,367,750
Prepaid expenses	148,066	45,358
Others	257,849	116,407
	2,866,116	2,529,515

8 Accrued expenses and other liabilities

The account at December 31 consists of:

	Notes	2021	2020
Planholders' deposits		649,216,287	591,438,091
Retirement benefit obligation	16	15,183,361	16,249,911
Lease liability	17	864,072	1,204,609
Accrued expenses		528,439	102,322
Withholding taxes payable		216,131	264,542
Social security contributions		44,318	69,546
Others		56,407	338,265
		666,109,015	609,667,286

Planholders' deposits represent any of the following: (a) plan benefits that are due but remain unpaid to and/or unclaimed by the planholder; (b) any fractional payments of a regular installment; and (c) payments received with application for thereinstatement of lapsed plan, within two years from date of lapse, with pending approval.

9 Assets and liabilities by maturities

Details of assets and liabilities by maturities at December 31 follow:

2021	Up to 1 year	Over 1 year up to 3 years	Over 3 years	Total
Assets				
Cash	24,102,879	-	-	24,102,879
Investments in trust funds	1,717,280,352	555,361,214	910,718,663	3,183,360,229
Investments at FVTPL	5,596,932	-	-	5,596,932
Investments at FVOCI	11,489,515	9,506,800	5,527,943	26,524,258
Other investments	4,000,000	-	-	4,000,000
Loans and receivables, net	3,164,778	-	-	3,164,778
Other assets	2,866,116	-	-	2,866,116
Total assets	1,768,500,572	564,868,014	916,246,606	3,249,615,192
Liabilities				
Pre-need reserves	424,599,841	606,466,909	1,198,466,961	2,229,533,711
Insurance premium reserves	13,586,977	-	-	13,586,977
Due to Parent Bank	403,266	-	-	403,266
Accrued expenses and	-	-	-	-
other liabilities	832,033	864,578	664,412,404	666,109,015
Total liabilities	439,422,117	607,331,487	1,862,879,365	2,909,632,969

2020	Up to 1 year	Over 1 year up to 3 years	Over 3 years	Total
Assets				
Cash	28,837,906	-	-	28,837,906
Investments in trust funds	1,959,182,245	572,795,753	1,237,340,155	3,769,318,153
Investments at FVTPL	5,572,590	-	-	5,572,590
Investments at FVOCI	2,310,000	1,039,505	19,022,486	22,371,991
Other investments	3,000,000	-	-	3,000,000
Loans and receivables, net	3,195,326	-	-	3,195,326
Other assets	2,529,515	-	-	2,529,515
Total assets	2,004,627,582	573,835,258	1,256,362,641	3,834,825,481
Liabilities				
Pre-need reserves	562,017,318	744,946,555	1,408,634,115	2,715,597,988
Insurance premium Reserves	16,279,218	-	-	16,279,218
Due to Parent Bank	338,303	-	-	338,303
Accrued expenses and other liabilities	592,553,302	864,072	16,249,912	609,667,286
Total liabilities	1,171,188,141	745,810,627	1,424,884,027	3,341,882,795

All accounts without fixed term are included under the category “Up to 1 year”. These mainly include investments in equity securities, mutual funds and unit investment trust funds.

Pre-need and insurance premium reserves are expected to be settled within their contractual maturity dates. Asset-liability matching is employed to invest in assets to match the maturing liabilities arising from the pre-need contracts issued by the Company to effectively manage liquidity risk and funding gaps.

10 Share capital; Accumulated other comprehensive income

Total authorized share capital, which is fully issued and outstanding, consists of 100 million common shares with a par value of P1 per share as at December 31, 2021 and 2020.

The excess of proceeds from the issuance of share capital at par value, which amounted to P775 million, is credited to Share premium.

Details of Accumulated other comprehensive income at December 31 follow:

	Investments at FVOCI	Remeasurement onretirement benefit obligation (Note 16)	Total
Balances, January 1, 2020	150,166,870	(4,259,763)	145,907,107
Changes in fair value of investments at FVOCI	91,167,478	-	91,167,478
Fair value gain transferred to profit or loss	(14,312,685)	-	(14,312,685)
Remeasurement loss on retirement benefit obligation	-	(2,913,332)	(2,913,332)
Balance, December 31, 2020	227,021,663	(7,173,095)	219,848,568
Changes in fair value of investments at FVOCI	(155,750,353)	-	(155,750,353)
Fair value gain transferred to profit or loss	31,943,601	-	31,943,601
Remeasurement loss on retirement benefit obligation	-	2,353,383	2,353,383
Balance, December 31, 2021	103,214,911	(4,819,712)	98,395,199

11 Total premium collections and information on lapsed plans

In compliance with the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) issued by the SEC, the information on total premium collections and lapsed plans as at December 31 is shown below:

	2021	2020
Total premium collections	171,030	9,930
Number of lapsed plans reinstated	5	1
Contract price of lapsed plans reinstated	714,150	49,650

12 Interest income

The account for the years ended December 31 consists of:

	Notes	2021	2020
Government securities	4	813,817	937,209
Bank deposits	2	36,352	75,389
Others		111,049	91,173
		961,218	1,103,771

Other interest income pertains to interest earned on employee loans.

13 Cost of contracts issued

Cost of contracts issued for the years ended December 31 consists:

	2021	2020
Plan benefits		
Maturity claims	437,294,084	380,782,928
Surrenders	33,279,010	14,542,814
Anticipated endowments	124,693,507	174,298,687
	595,266,601	569,624,429
Decrease in pre-need and insurance premium reserves		
Pre-need		
Pension	(288,582,203)	(95,136,036)
Education	(197,482,075)	(219,968,645)
Insurance Premium	(2,692,240)	(2,547,404)
	(488,756,518)	(317,652,085)
Documentary stamp taxes and SEC registration fees	342	116
	106,510,425	251,972,460

The movement in pre-need and insurance premium reserves arises mainly from the release of reserves due to policy maturities.

14 Other direct costs and expenses

The account consists of insurance expense on policies which amounts to P3.3 million for the year ended December 31, 2021 (2020 - P3.8 million).

15 Salaries, wages and employee benefits

The account for the years ended December 31 consists of:

	Note	2021	2020
Salaries, wages and employee benefits		7,278,603	7,381,002
Pension expense	16	1,370,887	1,340,574
		8,649,490	8,721,576

16 Retirement plan

The Company has an unfunded retirement benefit plan in 2021 covering substantially all of its 6 employees (2020 - 7). Under this plan, the normal retirement benefit is equal to the employee's equity in the fund as at retirement, or 175% of the employee's basic monthly salary at date of retirement multiplied by the number of years of service, whichever is higher. The normal retirement date is upon attainment of age 60. The optional retirement benefit is determined on the same basis as normal retirement. Optional retirement date is upon attainment of age 50 and completion of at least 20 years of service. The death benefit is equal to the retirement benefit computed as at the date of death. The disability benefit is equal to the retirement benefit computed as at the date of total and permanent disability; plus a deferred benefit equivalent to the contributions to the fund and their actual earnings from the date of his disability up to his normal retirement date or date of death, whichever comes first.

The retirement benefit obligation recognized as part of accrued expenses and other liabilities in the statement of financial position and its related movement for the years ended December 31 are as follows:

	Note	2021	2020
At January 1		16,249,912	12,273,738
Current service cost		792,390	660,609
Interest cost		578,497	679,965
Benefits due		(84,055)	(277,732)
Remeasurement (gain) loss			
Due to change in financial assumptions		(1,384,871)	3,129,438
Due to experience adjustments		(498,425)	(216,106)
Due to change in demographic assumptions		(470,087)	-
At December 31	8	15,183,361	16,249,912

Pension expense recognized in the statement of income for the years ended December 31 consists of:

	Note	2021	2020
Current service cost		792,390	660,609
Interest cost		578,497	679,965
	15	1,370,887	1,340,574

The principal actuarial assumptions used at December 31 are as follows:

	2021	2020
Discount rate	4.63%	3.56%
Salary increase rate	5.00%	5.00%

Discount rate

The discount rate was determined in accordance with the FRSC-approved PIC Q&A 2008-01 (Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero-coupon rates, even though theoretically derived. The procedure of bootstrapping was applied to the PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years. Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The average remaining service life of employees under the retirement plan as at December 31, 2021 is 13.4 years (2020 - 17 years).

The projected maturity analysis of retirement benefit payments as at December 31 is as follows:

	2021	2020
Less than a year	669,800	139,224
Between 1 to 5 years	3,364,205	702,813
Between 5 to 10 years	16,949,404	4,779,038
Between 10 to 15 years	8,988,810	23,595,089
Between 15 to 20 years	232,449	4,336,105
Over 20 years	2,369,231	11,755,234

The sensitivity of the defined benefit obligation as at December 31 to changes in the weighted principal assumptions follows:

2021	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 3.9%	Increase by 4.1%
Salary growth rate	+/- 1.0%	Increase by 8.4%	Decrease by 7.7%

2020	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 5.4%	Increase by 5.8%
Salary growth rate	+/- 1.0%	Increase by 11.6%	Decrease by 10.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement asset recognized within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to previous period.

17 Leases

The Company leases office space in BPI Buendia Center with a term of five-years beginning April 2019 from its Parent bank. The rental payment has an annual escalation rate of 5% for the second and third years and 7% for the fourth and fifth years.

Lease term is negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company recognized a right-of-use asset and a lease liability in relation to such lease agreement. The associated right-of-use (ROU) asset was adjusted by the amount of any prepaid or accrued lease payments at initial recognition and by the depreciation recognized during the year. Lease liability was measured at the present valueof the remaining lease payments, discounted using the lessee’s incremental borrowing rate.

Details of ROU and lease liabilities at December 31 are as follows:

	2021	2021
ROU asset		
Office space (included under Property and equipment, net)	727,704	1,073,227
Lease liability (included under Accrued expenses and other liabilities)		
Current	397,650	340,537
Non-current	466,422	864,072
	864,072	1,204,609

Movements in the lease liabilities for the years ended is shown below:

	2021	2020
Balance at beginning of the year	1,204,609	1,885,808
Interest accretion on lease liability	32,213	47,069
Principal and interest payments	(372,750)	(657,760)
Adjustment on lease modification	-	(70,508)
Balance at end of year	864,072	1,204,609

In 2020, there was a modification in the lease agreement for the reduced leased space which also resulted in reduction of lease payments.

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31:

	2021	2020
Depreciation expense on right-of-use asset	345,524	345,045
Interest expense on lease liability (included under interest expense)	32,213	47,069
Expense relating to short-term lease (included under Occupancy cost)	123,597	32,000

18 Income taxes

Provision for income tax pertains to final tax for the year ended December 31, 2021 which amounts to P22.7 million (2020 - P28.5 million).

A reconciliation between the provision for income tax at the statutory income tax rate to the actual provision for income tax for the years ended December 31 are as follows:

	2021	2020
Statutory income tax	(2,407,751)	(34,224,311)
Net operating loss carry-over (NOLCO) with no future tax benefit	30,099,260	80,985,591
Income subject to final tax	(4,187,030)	(12,492,447)
Others, net	(817,866)	(5,773,590)
Provision for income tax	22,686,613	28,495,243

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. As at December 31, 2021 and 2020, the Company has not recognized deferred income tax assets in view of its limited capacity to generate sufficient future taxable income.

The details of the Company's unrecognized deferred tax assets as at December 31 follows:

	2021	2020
NOLCO	146,729,853	235,101,963
Retirement benefit obligation	4,405,200	4,874,974
Allowance for impairment	525,399	607,289
Effect of PFRS 16 adoption	32,846	39,415
Provision for bonus	155,230	85,194
Deferred income tax asset not recognized	151,848,528	240,708,835

As at December 31, details of NOLCO are as follows:

Year Incurred	Year of Expiry	2021	2020
2021	2026	120,397,041	-
2020	2025	269,951,970	269,951,970
2019	2022	196,570,402	196,570,401
2018	2021	317,150,838	317,150,838
2017	2020	-	267,146,794
		904,070,251	1,050,820,003
Expired NOLCO			
2018		(317,150,838)	-
2017		-	(267,146,794)
		586,919,413	783,673,209
Tax rate		25%	30%
		146,729,853	235,101,963

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020, Rules and Regulations Implementing Section 4 (bbbb) of Bayanihan Act I relative to NOLCO under Section 34 (D)(3) of the National Internal Revenue Code, as amended, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2021 and 2020 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only. Accordingly, the NOLCO incurred by the Company in 2021 and 2020 shall be carried over for the next five years.

19 Cash absorbed by operations

Details of cash absorbed by operations for the years ended December 31 are as follows:

	Notes	2021	2020
Loss before income tax		(9,631,005)	(114,081,038)
Adjustment for:			
Decrease in pre-need and insurance premium reserves	13	(488,756,518)	(317,652,085)
Trust fund income	3	(88,056,830)	(128,358,939)
Retirement benefit expense	16	1,370,887	1,340,574
Fair value (gain) loss on investments	4	(1,072,818)	430,983
Interest income	12	(961,218)	(1,103,771)
Depreciation	6	345,524	399,436
Gain on sale of investments	4	(112,455)	(2,207,737)
Provision for impairment	5	77,300	-
Dividend income		(89,348)	(69,327)
Interest expense	17,20	32,213	1,450,403
Operating losses before changes in operating assets and liabilities		(586,854,268)	(559,851,501)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Investments at FVTPL		48,476	2,433,534
Loans and receivables, net		(86,569)	104,245
Other assets		(336,601)	210,735
(Increase) decrease in:			
Accrued expenses and other liabilities		57,764,762	179,476,203
Due to Parent Bank		64,963	(19,944,404)
Cash absorbed by operations		(529,399,237)	(397,571,188)

20 Related party transactions

Significant related party transactions are summarized below:

2021	Transactions	Outstanding balances	Terms and conditions
Cash in bank (Note 2)			
Parent bank	(4,735,027)	24,102,879	These are checking accounts bearing average interest rates ranging from 0.25% to 0.35%.
Investment in trust funds (Note 3)			
Parent bank	58,547,912	223,352,680	These are investments in listed common and preferred stocks, and UITFs classified and measured at FVTPL.
Investor of Parent bank	(2,530,410)	73,859,700	
Other related party	298,412	67,654,945	
	56,315,914	364,867,325	
Investments at FVTPL (Note 4)			
Parent bank	(49,684)	1,878,071	These are investments in listed common and preferred stocks, UITFs and mutual funds classified and measured at FVTPL.
Investor of Parent bank	1,600	332,400	
Other related party	(33,600)	293,600	
	(81,684)	2,504,071	
Due to related parties			
Borrowing	-	-	Refer to discussion made in (a).
Parent Bank	107,546	235,746	These relate to payables on the shared service costs. Outstanding balance is unsecured, non-interest bearing and are payable in cash, at gross amounts, on demand but not later than 12 months from reporting date.
Other related party	(42,582)	167,520	
Accrued expenses and other liabilities (Note 8)			This pertains to the shared expenses with the Parent Bank. Outstanding balance is unsecured, non-interest bearing and are payable in cash, at gross amounts, on demand but not later than 12 months from reporting date.
Other related party	1,370	(11,238)	
Rent			
Parent bank	372,750	864,072	Refer to Note 17

2020	Transactions	Outstanding balances	Terms and conditions
Cash in bank (Note 2)			
Parent bank	10,402,156	28,837,906	These are checking accounts bearing average interest rates ranging from 0.25% to 0.35%.
Investment in trust funds (Note 3)			
Parent bank	23,764,437	164,804,768	These are investments in listed common and preferred stocks, and UITFs classified and measured at FVTPL.
Investor of Parent bank	20,823,840	76,390,110	
Other related party	4,718,548	67,356,533	
	49,306,825	308,551,411	
Investments at FVTPL (Note 4)			
Parent bank	1,573,496	1,927,755	These are investments in listed common and preferred stocks,UITFs and mutual funds classified and measured at FVTPL.
Investor of Parent bank	116,600	330,800	
Other related party	(3,632,332)	327,200	
	(1,942,236)	2,585,755	
Due to related parties			
Borrowing	(15,000,000)	-	Refer to discussion made in (a).
Parent bank	(4,900,936)	128,200	These relate to payables on the shared service costs. Outstanding balance is unsecured, non-interest bearing and are payable in cash, at gross amounts, on demand but not later than 12 months from reporting date.
Other related party	(43,468)	210,103	
	(19,944,404)	338,303	
Accrued expenses and other liabilities (Note 8)			This pertains to the shared expenses with the Parent Bank. Outstanding balance is unsecured, non-interest bearing and are payable in cash, at gross amounts, on demand but not later than 12 months from reporting date.
Other related party	155	(12,607)	
Rent			
Parent bank	657,760	1,204,609	Refer to Note 17

(a) Borrowing

The account represents an unsecured loan facility obtained from the Parent Bank in May 2019 amounting to P15 million to support their working capital requirements which was fully settled in 2020. The loan bears an interest of 7.11% per annum.

In 2020, the Company obtained additional loan availment amounting to P35 million which bear an interest at prevailing market rate. The said loan was also settled in full during the year.

Interest accrued on borrowing as at December 31, 2020 - P1.4 million and is presented under Accrued expenses and other liabilities in the statement of financial position.

There are no significant debt covenants other than the terms of the principal and interest repayment in which the Company has fully complied with as at December 31, 2021 and 2020.

(b) Dividend income

The Company receives dividend income from investments in preferred shares of Ayala Corporation, a significant investor of BPI; from investments in listed shares of stock of BPI; and from investments in listed shares of stock of companies under common control of Ayala Corporation (Ayala Land, Inc.). Dividend income is recorded under Trust fund income in the statement of income which amounts to P2.5 million for the year ended December 31, 2021 (2020 - P2.8 million). The remaining dividends on company-managed investments are recorded under Dividend income in the statement of income.

(c) Trust fund management fees

This pertains to the amount of investment management fees paid to BPI-AMTC under an Investment Management Agreement for the management of the Trust Funds of the Company subject to the terms and conditions in the said agreement. For the services rendered, the Company pays BPI-AMTC service fees equivalent to a certain percentage of the net asset value of the funds.

(d) Investment management fees

These pertain to payments to BPI-AMTC for the management of the investments of the Company subject to the terms and conditions of an Investment Management Agreement. These fees are calculated based on a fixed rate applied to the fair value of Assets Under Management ("AUM").

(e) Shared service cost

Shared service cost pertains to the internal audit, human resources and call center services provided by the Parent Bank and outsourcing services relating to information systems and mailing provided by fellow subsidiaries and entity under common control. The costs are determined based on the amounts agreed by the parties. The Company also makes payments of the planholders insurance expense to BPI AIA.

The above agreements remain in force, unless terminated by the parties. No provisions were recognized against receivables from related parties.

The aggregate amounts included in the determination of income before income tax for the years ended December 31 that resulted from transactions with each class of related parties are as follows:

	2021	2020
Interest income (Note 12)		
Parent bank	36,352	75,389
Dividend income (Note 3)		
Parent	882,104	1,071,689
Investor of Parent	432,223	437,309
Entity under control of investor of Parent	1,183,199	1,274,058
	2,497,526	2,783,056
Trust fund management fees (Note 3)		
Entity under common control	5,938,492	6,601,541
Investment management fees		
Entity under common control	43,323	50,729
Shared service cost		
Parent bank	1,913,926	5,386,918
Entity under common control	3,356,847	3,957,430
	5,270,773	9,344,348
Rent (Note 17)		
Parent bank	32,213	47,069
Salaries, allowances and other short-term benefits		
Key management personnel	4,451,090	4,357,640
Post-employment and other benefits		
Key management personnel	312,965	435,764
Others		
Remuneration of directors	171,000	141,000
Sale of furniture	107,701	-

21 Contingent liability

As at December 2021 and 2020, the Company has a pending lawsuit. In the opinion of management, after reviewing all legal actions and proceedings with legal counsels, the aggregate liability, if any, arising therefrom will not have a material effect on the Company's financial statements.

The Company has no contingent liability as at December 31, 2021 and 2020.

22 Financial risk and capital management

The Company's activities expose it to a variety of risks. The overall objective of risk management is to minimize the potential adverse effects of these risks on the financial condition and results of operations of the Company.

22.1 Pre-need plan

Features of a pre-need plan

A pre-need contract promises the payment of a benefit upon reaching a specified maturity date. Ownership of the plan may also be transferred to another party upon payment of a consideration. A pre-need plan is classified as a security. Pre-need companies are regulated by the Insurance Commission (IC) (Note 24).

Pre-need plans can either be fixed-value plans or actual cost plans. Fixed-value or fixed-benefit plans are plans in which the amount of the benefit is fixed at the time the plan is purchased. Actual cost or traditional plans are plans in which the amount of the benefit is the actual cost of such benefit or service at the time of payment of the benefit. The Company only sells fixed-value plans which contain a fixed schedule of benefits. The Company sells education and pension plans and is exposed only to fixed benefits due to policyholders under the policy contract. Investments risks relative to fund investments are borne and managed by the Company.

In compliance with the rules and regulations originally set forth by the SEC and adopted by the IC, the Company has set up separate trust funds for pension and education plans. BPI-AMTC acts as the trustee for these funds and manages the contributions to the funds, ensures that the monies are properly invested in order to get the appropriate yield, and disburses benefits as they become due and payable.

The Company's pre-need plans also provide insurance benefits which will pay for the unpaid plan installments to the Company upon the death or total and permanent disability of the planholder. To provide this benefit, the Company purchases yearly term insurance from BPI AIA Life Assurance Corporation (BPI AIA), an associate of BPI. This will make the plan paid up upon the death of the planholder. The plan also provides for the payment of a fixed sum upon the occurrence of certain contingencies as follows:

(i) For peso-denominated regular pension plans issued prior to August 1, 2005 and education plans, an amount equal to the plan price will be paid to the beneficiaries of the planholder upon the death of the planholder;

(ii) For peso-denominated regular pension plans issued on or after August 1, 2005, an amount equal to the maturity benefit shall be paid to the beneficiaries of the planholder upon the death of the planholder; and

(iii) For education plans issued on or after August 1, 2005, an amount in accordance with the prescribed schedule of benefits shall be paid to the planholder upon the accidental death or dismemberment of the nominee.

Nature and management of the risks

The Company is not exposed to risk of the premiums not being uncollected in the event of death or disability of the policyholder since the premiums under the plan are covered by a Group Term Life Insurance policy with BPI AIA. The risks under a pre-need contract are included in the financial risk factors set out below Note 22.2.

Concentration of risks

The table below presents the concentration of risk by product line at December 31, 2021 and 2020. Exposure is measured in terms of the maturity value of the plans that are in force, paid-up, and lapsed but still within the reinstatable period. Exposures are also shown in terms of prospective benefits without discounting.

	2021		2020	
Product	Exposure ('000)	Concentration (%)	Exposure ('000)	Concentration (%)
Pension	2,357,870	86.79%	2,756,945	82.79%
Education	358,878	13.21%	573,065	17.21%
Total	2,716,748	100.00%	3,330,010	100.00%

The above exposures are the actual liability of the Company to its plan holders in the future at undiscounted amounts. These exposures are managed by the Company by matching these amounts with investments.

22.2 Financial risk factors

The Company is exposed to financial risks through its financial assets and financial liabilities. The key financial risk is that its financial assets will not be sufficient to meet the obligations in its pre-need contracts. Components of this financial risk include market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

At December 31, 2021 and 2020, the Company is not exposed to any foreign exchange risk as the Company no longer has trust funds and bank accounts denominated in US dollar (Notes 2 and 3).

Interest rate risk

There are two types of interest rate risk: (i) fair value interest risk and (ii) cash flow interest risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Company's long-term view on interest rates. Strict investment guidelines, as approved by the Investment Committee and IC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

The Company and Trust Fund's interest rate risk arises from investments in government and corporate bonds. However, the exposure is only on fair value interest rate risk because of debt securities in the statement of financial position and in the Trust Funds classified as investments at FVOCI are subject to fixed interest rates (Notes 3 and 4).

Based on the sensitivity analysis performed by the Company, after taking into consideration the reasonable possible shift in interest rates of the debt securities, a shift of 100 basis points would result to an increase/decrease of P13.1 million (2020 - P22.7 million) in fair value reserves (shown as part of other comprehensive income) as a result of gains/losses on debt securities classified as investment at FVOCI for the years ended December 31, 2021 and 2020. The reasonable possible shift in interest rates are basedon the Company's year-on-year monitoring of interest rate movements.

Price risk

The Company is exposed to price risk since it sells long-term contracts with fixed and guaranteed terms. The pre-need contract price is determined using assumptions on the investment yield and persistency and policy expenses. When actual experience deviates from pricing assumption, the viability of the plan may be affected.

The Company manages this risk by closely monitoring actual experience vis-à-vis pricing assumption by way of financial statements and investment reports prepared by the trustees and regular studies performed by the Actuarial Department of the Company in the areas of persistency and expense. Should it be warranted, the pre-need plans may be repriced based on updated assumptions. The assumptions used in establishing the liability for benefits reflected in the books of the Company are based on the Amended Pre-need Rule, which sets forth the standards for valuation of pre-need reserves of the plans.

The Company and Trust Fund are also exposed to equity securities price risk because of investments held and classified as investments at FVTPL in the statement of financial position (Notes 3 and 4).

On the assumption that the Philippine Stock Exchange Index (PSEi) had increased/decreased by 10%, Fair value reserves (shown as part of the profit or loss) is expected to increase/decrease by P544 thousand and P264 thousand, respectively, (2020 - P874 thousand and P75 thousand, respectively) as a result of unrealized gains/losses on equitysecurities classified as investments at FVTPL.

On the assumption that the net asset value per share of existing investments in mutual funds had increased/decreased by 0.9% in 2021 (2020 - 3.7%). Fair value reserves (shown as part of the profit or loss) is expected to increase/decrease by P13 thousand (2020 - P60 thousand) as a result of unrealized gains/losses on these investments classified as investments at FVTPL.

On the assumption that the net asset value per share of existing investments in unit investment trust funds had increased/decreased by 0.37% (2020 - 1.4%), Fair value reserves (shown as part of the profit or loss) is expected to increase/decrease by P0.6 million (2020 - P1.7 million) as a result of unrealized gains/losses on these investments classified as investments at FVTPL.

The reasonable possible shift in prices disclosed above are based on the Company's monitoring of such prices (PSEi, NAVPU) year-on-year.

The above are consistent with the assumption that all the variables are held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Credit risk

Credit risk represents the loss that would be recognized if counterparties to investment and other receivable transactions are unable or unwilling to fulfill their payment obligations.

a. Credit risk management

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when the investment becomes due. This is mitigated by investing in government securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and follows the limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company and the Trust Funds are investing primarily in government securities.

The credit risk arising from operations is closely monitored by the Finance Department on a regular basis.

In measuring credit risk of loans and receivables to customers and other debtors at a counterparty level, the Company reflects three components as follows:

(i) the probability of default by the customers or counterparty on its contractual obligations;
(ii) current exposures to the customers or counterparty and its likely future development; and
(iii) the likely recovery ratio on the defaulted obligations.

For term loans, external rating such those provided by Philippine Rating Services Corporation ("Philratings") or its equivalent is used by the Credit Policy Group for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

Receivables also consist mainly of agent accounts (sales counselors), loans to employees and other receivables. The Company regularly evaluates its credit risk through its aging reports and adherence to its escalation policy to ensure that all outstanding receivables are properly elevated to the concerned Company authority for collection and disposition. Receivables aged over six months from the date of recognition are considered past due and are subjected for provision assessment.

b. Risk limit and control mitigation policies

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on large exposures and credit concentration are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

c. Maximum exposure to credit risk

Credit risk exposures relating to financial assets at December 31 are as follows:

	2021	2020
Cash	24,102,879	28,837,906
Investments in trust fund		
Cash	3,790	29,516
Investments at FVOCI	2,046,861,750	2,687,126,460
Accrued interest income	40,530,072	40,666,077
Other receivables	6,755,690	42,386,520
Investments at FVOCI	26,524,258	22,371,991
Loans and receivables		
Receivable from sales counselors	2,101,595	2,024,295
Loans and advances to employees	841,986	937,702
Accrued interest income	195,640	235,457
Others	1,783	2,879
	2,147,919,443	2,824,618,803

Cash

The Company manages credit risk on its cash by depositing largely in universal banks. All of the Company's depository banks are of good credit standing and have no history of default. Accordingly, management has assessed that credit risk is minimal.

Investments at FVOCI

The Company manages credit risk by investing primarily on Philippine government-guaranteed bonds which are considered risk-free. Other investments subject to credit risk pertain to bond issuances of reputable corporations which have no history of defaults.

Management has assessed that the securities are of low credit risk and that the 12-month ECL is deemed not material for financial reporting purposes as at December 31, 2021 and 2020.

Loans and receivables

The Company applies the PFRS 9 simplified approach in assessing ECL, which uses a lifetime ECL for receivables. To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles, and the corresponding historical credit loss experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information or macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified gross domestic product and inflation rate to be the most relevant factors and accordingly adjust the historical loss rates based on the expected changes on these factors.

The payment profile of the Company's loans and receivables at December 31 is summarized below:

2021	Gross carrying amount	Current	More than 30 days	More than 120 days
Investment in trust fund				
Accrued interest income	40,530,072	40,530,072	-	-
Other receivables	6,755,690	6,755,690	-	-
Loans and receivables				
Receivable from sales counselors	2,101,595	-	-	2,101,595
Loans and advances to employees	841,986	841,986	-	-
Accrued interest income	195,640	195,640	-	-
Others	1,783	1,783	-	-
Gross amounts	50,426,766	48,325,171	-	2,101,595
Allowance for impairment	-	-	-	(2,101,595)
	50,425,766	48,325,171	-	-

2020	Gross carrying amount	Current	More than 30 days	More than 120 days
Investment in trust fund				
Accrued interest income	40,666,077	40,666,077	-	-
Other receivables	42,386,520	42,386,520	-	-
Loans and receivables				
Receivable from sales counselors	2,024,295	-	-	2,024,295
Loans and advances to employees	937,702	937,702	-	
Accrued interest income	235,457	235,457	-	-
Others	2,879	2,879	-	-
Gross amounts	86,252,930	84,228,635	-	2,024,295
Allowance for impairment	-	-	-	(2,024,295)
	86,252,930	84,228,635	-	-

Based on management's experience, loans and receivables are fully collectible, except for credit impaired receivables that are fully provided with allowance. Credit impaired receivables are those receivables aged more than one year which we are assessed to be non-performing. Management has determined that the level of allowance required as at December 31, 2021 and 2020 is adequate to comply with the ECL assessment made on loans and receivables.

There was no collateral held on the term loans and receivables. These loans and receivables were not re-negotiated and are fully recoverable. Impaired receivables are fully provided with allowance (Note 5).

d. Concentrations of risks of financial assets with credit exposure

The Company's main exposure at their carrying amounts, as categorized by industry sectors as at December 31 follows:

2021	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	24,102,879	-	-	-	-	24,102,879
Investment in trust fund						
Cash	3,790	-	-	-	-	3,790
Investments at FVOCI	-	1,911,314,960	33,345,488	102,201,302	-	2,046,861,750
Accrued interest income	-	38,937,612	212,420	1,380,040	-	40,530,072
Other receivables	-	-	-	6,755,690	-	6,755,690
Investments at FVOCI	-	26,254,258	-	-	-	26,254,258
Loans and receivables						
Receivable from sales counselors	-	-	-	2,100,595	(2,100,595)	-
Loans and advances to employees	-	-	-	841,986	-	841,986
Accrued interest income	-	-	-	195,640	-	195,640
Others	-	-	-	1,783	-	1,783
	24,106,669	1,976,506,830	33,557,908	113,503,268	(2,126,827)	2,145,547,848

2020	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	28,837,906	-	-	-	-	28,837,906
Investment in trust fund						
Cash	29,516	-	-	-	-	29,516
Investments at FVOCI	228,350,000	2,250,021,976	68,784,184	139,970,300	-	2,687,126,460
Accrued interest income	5,074	38,742,453	355,069	1,563,482	-	40,666,078
Other receivables	-	-	-	42,386,520	-	42,386,520
Investments at FVOCI	-	22,371,991	-	-	-	22,371,991
Loans and receivables						
Loans and advances to employees	-	-	-	937,702	-	937,702
Receivable from sales counselors	-	-	-	2,024,295	(2,024,295)	-
Accrued interest income	-	-	-	235,457	-	235,457
Others	-	-	-	2,879	-	2,879
	257,222,496	2,311,136,420	69,139,253	187,135,157	(2,038,817)	2,822,594,509

"Others" industry sector includes telecommunications, energy development, food and beverage companies and other various industry sectors for investments.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. Through the Company's trustee banks, the Company is able to manage its Trust Funds' liquidity by close monitoring of the Trust Funds' cash flows and ensuring that the operation maintains optimum levels of liquidity which is at all times sufficient to meet contractual obligations as and when they fall due.

It is also the Company's policy to maintain adequate liquidity to meet its cash flow requirements. Accordingly, each portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities is consistent with the cash requirements in order to avoid the forced sale of securities prior to maturity.

Pre-need reserves at December 31, 2021 amounting to P2.2 billion (2020 - P2.7 billion) are fully matched by the balance of the trust funds. As at December 31, 2021, the balance of investment in trust funds in excess of the pre-need reserves set-up amounts to P953.8 million (2020 - P1,053.7 million).

The maturities of financial liabilities as at December 31 are detailed below.

2021	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	1,358,127	-	-	1,358,127
Pre-need reserves	424,599,841	606,466,909	1,198,466,961	2,229,533,711
Insurance premium reserves	13,586,977	-	-	13,586,977
Due to Parent bank	403,266	-	-	403,266
Accrued expenses and other liabilities*	650,665,205	-	-	650,665,205
	1,090,613,416	606,466,909	1,198,466,961	2,895,547,286

2020	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	1,605,959	-	-	1,605,959
Pre-need reserves	562,017,318	744,946,555	1,408,634,115	2,715,597,988
Insurance premium reserves	16,279,218	-	-	16,279,218
Due to Parent bank	338,303	-	-	338,303
Accrued expenses and other liabilities*	593,083,287	-	-	593,083,287
	1,173,324,085	744,946,555	1,408,634,115	3,326,904,755

**excluding retirement benefit obligation, withholding taxes payable and social security contributions*

Fair value hierarchy

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of traded loans and issued structured debt. The primary source of input parameters is Bloomberg.

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table presents the Company's assets that are measured at fair value at December 31.

	2021		2020	
	Level 1	Level 2	Level 1	Level 2
Investment in trust funds				
Equity securities	919,554,929	-	883,257,529	-
Unit investment in trust fund	171,012,125	-	117,458,010	-
Government securities	1,911,288,728	-	2,250,007,455	-
Other debt instruments	135,573,022	-	208,769,005	-
Deposit instruments	-	-	228,350,000	-
Investments at FVTPL				
Company-managed				
Equity securities	488,408		423,120	
Mutual fund	1,346,789	-	993,168	-
Insurance premium fund				
Equity securities	3,554,023	-	3,549,149	-
Mutual fund	207,712	-	607,153	-
Investments at FVOCI				
Company-managed				
Government securities	14,242,095	-	5,535,757	-
Deposit instruments	-	-	1,260,000	-
Insurance premium fund				
Government securities	12,282,163	-	14,426,234	-
Deposit instruments	-	-	1,050,000	-
Other investment				
Club share	-	4,000,000	-	3,000,000
	3,169,549,994	4,000,000	3,715,686,580	3,000,000

The Company derives the fair value of club share from a third-party pricing provider and will only make use of an internal pricing model if the third-party prices are not available. The use of an internal pricing model requires review and approval by the local management. The unobservable inputs in determining the fair value of club shares include the counterparty's credit spread and the price volatilities as the market may be inactive. A change in the unobservable inputs may result in a higher (lower) fair value measurement. However, any change is not considered to materially affect the financial statements as at December 31, 2021 and 2020.

The Company has no financial instruments that fall under Level 3 category as at December 31, 2021 and 2020. There were no transfers between levels at December 31, 2021 and 2020.

22.3 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide dividend payments to its shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company calculates its capital as equity, as shown in the statements of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

In accordance with the Pre-Need Code, the Company maintains a minimum paid-up capital of P75 million.

23 Critical accounting estimates, assumptions and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

23.1 Critical accounting estimates and assumptions

Pre-need reserves

The Company determines its pre-need reserves in accordance with the requirements of the Amended Pre-need Rule. Statutory valuation requires the use of a prospective method and assumptions based on Company experience.

(i) Investment yield - The interest rate used in 2021 is 4.5% (2020 - 4.5%) for peso education plans and 5% for peso pension plans in 2021 and 2020.

The Company's actual experience for 2021 (net of withholding tax) is 0.82% gain (2020 - 3.95% gain) for EducationTrust Fund and 1.33% loss (2020 - 6.06% gain) for Pension Trust Fund. Realized investment income in 2021 amounts to P16.4 million (2020 - P29.8 million) for the Education Trust Fund and P71.7 million (2020 - P97.8 million) for the Pension Trust Fund. In addition, there were unrealizedgains/loss due to increase/decrease in market value of equity investments at P11.1million loss (2020 - P6.1 million gains) for the Education Trust Fund and P111.4 million loss (2020 - P72.6 million gains) for the Pension Trust Fund. Moreover, the average yield to maturity of the fixed-income investments, which comprise 64.3% (2020 - 65.2%) of the total portfolio, is 7.11% (2020 - 5.0%) for Education Trust Fund and 6.7% (2020 - 5.6%) for Pension Trust Fund as at December 31, 2021.

On August 7, 2020, the Insurance Commission approved the request of the Company to terminate it trust agreement for its dollar pension fund.

Assuming that a 4.00% annual investment yield will be used as projected by the Trustee Bank to value education and 4.50% in peso pension plans, the additional pre-need and other reserves will be P42.8 million as of December 31, 2021 (2020 - P53.41 million).

(ii) Mortality - There is no mortality decrement assumed in the valuation. In lieu of this, an insurance premium reserve is set up as a separate liability account against which future insurance premiums will be charged. The assumptions used for computing the insurance premium reserves and based on the corresponding surrender rates of the plan and an interest rate of the lower between 6.0% note or the SEC approved hurdle rate per product model.

(iii) Withdrawal Rates - For Education and Regular pension plans, withdrawal rates assumed during the premium paying period are based on the latest persistency study and are set equal to zero after the premium paying period. For Active pension plans, withdrawal rates are assumed to be zero for all durations.

(iv) Surrender Rates - Based on the latest persistency study, the trend of surrender rate experience for policies on the first to tenth year in 2021 and 2020 is at an average of 0.73% for Education plans and at an average of 1.12% for Regular pension plans.

(v) Reinstatement Rates - Based on actual experience as at 2007, average monthly reinstatement rate is 3.8% for Education plans and 2.3% for Regular pension plans.

(vi) Expense - There is no expense assumption in the statutory valuation.

Investment yields are the more significant assumptions and estimates relative to the Company's pre-need reserves.

The assumptions are reviewed and adjusted annually to reflect current and projected experience.

Determination of incremental borrowing rate

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

To determine the incremental borrowing rate, the Company:

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

The Company's incremental borrowing rate applied to the lease liabilities was 3.07% in 2021 and 2020. The rate was determined in reference to the prevailing bank market rates applicable to the leased properties with similar terms and conditions. The Company has assessed that it is impracticable to present a sensitivity analysis arising from the impact of upward/downward changes in the discount rates used in the determination of leaseliabilities without undue efforts. As such, the sensitivity analysis was no longer presented.

Measurement of ECL allowance on investments at FVOCI and loans and receivables

The Company measures its investments at FVOCI and loans and receivables based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation based on the Company's past experience, existing market conditions as well as forward-looking estimates at the end of the reporting period.

Details about the credit quality of investments at FVOCI and loans and receivables are disclosed in Note 22.

23.2 Critical judgments

Classification of investments (Notes 3 and 4)

The Company classifies financial assets at initial recognition, whether it must be subsequently measured at FVOCI, at amortized cost or at FVTPL. The Company determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Company determines whether the contractual cash flows associated with the financial assets are solely payments of principal and interest (the "SPPI"). If instrument fail the SPPI test, it will be measured at FVTPL.

Realization of deferred income tax assets (Note 18)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

At December 31, 2021, the Company has unrecognized deferred income tax assets of P151.8 million (2020 - P240.7 million), which was not recognized in view of the Company's limited capacity to generate sufficient future taxable income.

24 Summary of significant accounting policies

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

24.1 Basis of preparation

The financial statements of Company have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts (PNUCA)*, applicable Insurance Commission (IC) Circular Letters, and Philippine Financial Reporting Standards (PFRS), except for the accounting treatment on revenues and financial liabilities under PFRS 9 and PFRS 4, respectively. The term PFRS in general includes all applicable PFRS, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at FVOCI, FVTPL and plan assets.

The preparation of financial statements in conformity with the framework discussed above requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

On December 3, 2009, Republic Act No. 9829, an act establishing the Pre-Need Code of the Philippines (Pre-Need Code), was made effective. Under the Pre-Need Code, the primary and exclusive supervision and regulation of all pre-need companies was given to the IC.

Changes in accounting policy and disclosures

(a) Amendments to existing standards and interpretations adopted by the Company

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

- Amendment to PFRS 16, *'Leases'*

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

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

- Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9, *'Financial Instruments'*, PAS 39, *'Financial Instruments - Recognition and Measurement*, PFRS 7, *'Financial Instruments - Disclosures*, PFRS 4, *'Insurance Contracts'* and PFRS 16, *'Leases'*

  In August 2020, the International Accounting Standards Board (IASB) made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs:

  i. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of interbank offered rates (IBOR) reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

ii. The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

The adoption of the above amendments did not impact the financial statements of the Company since the Company does not use any IBOR as interest benchmark for its financial assets and leases.

Other standards, amendments to standards and interpretations which are effective for the financial year beginning on January 1, 2021 are considered not relevant or not material to the Company's financial statements.

(b) New and amended standards not yet effective and not yet adopted by the Company

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

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

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2020 The following improvements were finalized in May 2020:
  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition offinancial liabilities.
  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

24.2 Financial assets

24.2.1 Classification

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

- those to be measured subsequently at FVTPL;
- those to be measured subsequently at FVOCI; and
- those to be measured at amortized cost.

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

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

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

24.2.2 Recognition and derecognition

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

24.2.3 Measurement

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

Debt instruments

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

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is computed using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of income and presented in other income. Impairment losses, if any, are presented as separate line item in the statement of income.

The Company's financial assets at amortized cost at December 31, 2021 and 2020 include cash (Note 2) and loans and receivables (Note 5).

Cash pertain to deposits held at call with banks. Cash in banks earn interest at the respective bank deposit rates. These are carried in the statement of financial position at face or nominal amount, which approximates its amortized cost using the effective interest rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses and foreign exchange gains and losses which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income. Interest income from these financial assets is computed using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as separate line item in the statement of income, if any.

The Company's assets measured at FVOCI at December 31, 2021 and 2020 consist of government securities, deposit instruments and other debt instruments.

FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of income in the period in which it arises.

The Company's assets measured at FVTPL at December 31, 2021 and 2020 consist of unit investment trust funds and mutual funds.

Equity instruments

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

The Company's listed equity instruments and club shares presented as other investment in the statements of financial position are measured at FVTPL at December 31, 2021 and 2020.

24.2.4 Impairment and write-off

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at FVOCI and amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, ECL is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Impairment of other financial assets

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables and the corresponding historical credit losses experienced by the Company. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

Write-off

Financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 120 days past due.

24.3 Financial liabilities

The Company classifies its financial liabilities at amortized cost and liabilities at FVTPL.

24.3.1 Classification

The Company classifies its financial liabilities at amortized cost and liabilities at FVTPL. As at December 31, 2021 and 2020, the Company has no financial liabilities measured at FVTPL.

Financial liabilities measured at amortized cost include due to Parent Bank (Note 20) and accrued expenses and other liabilities (excluding retirement benefit obligation, tax-related payables and social security contributions) (Note 8).

24.3.2 Initial recognition and subsequent measurement

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method.

24.3.3 Derecognition

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

24.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset’s current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company uses valuation techniques for non-financial assets that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

24.5 Offsetting

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

As at December 31, 2021 and 2020, there are no financial assets and liabilities that have been offset.

24.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation on furniture and equipment is calculated using the straight-line method to allocate the cost or residual value over the estimated useful life of 3 - 5 years. Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicatethat the carrying amount may not be recoverable.

An impairment loss, if any, is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

24.7 Pre-need reserves

Pre-need reserves which represent the accrued net liabilities of the Company to its planholders are actuarially computed based on standards and guidelines originally set forth by the SEC and subsequently revised by the IC. The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

24.8 Insurance premium reserves

Insurance premium reserves, which represent the amount that must be set aside by the Company to pay for premiums for insurance coverage of fully paid planholders, are actuarially computed based on standards and guidelines originally set forth by the SEC and adopted by the IC (Note 23). The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

24.9 Accrued expenses and other liabilities

Accrued expenses and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Accrued expenses and other liabilities are derecognized when extinguished.

24.10 Income taxes

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

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

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

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

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

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

24.11 Employee benefits

Retirement benefits

The Company has an unfunded defined benefit plan covering all officers and employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

24.12 Equity

Share capital represents common shares.

Share premium include any premium on consideration received in excess of par value on the issuance of share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

Deficit include current and prior years' result of operations, net of any dividends declared and effect of changes in accounting policy as may be required by the relevant standard's transitional provisions, as applicable.

24.13 Foreign currency transactions and translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as investment at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security, and other charges in the carrying amount of the security. Translation differences are recognized in profit or loss, and other charges in carrying amount are recognized in equity.

24.14 Premium income

Premium income from sale of pre-need plans is recognized as earned when collected.

24.15 Trust fund income

Trust Fund income which represents net income of the Company's Trust Fund is recognized in the statement of income when earned. This income is automatically restricted to payments enumerated in Note 3 of the financial statements.

24.16 Dividend income

Dividend income is recognized when the right to receive payment is established.

24.17 Policy income

Policy income, which includes loading and handling fees, surcharges on lapsed plans, income on cancelled plans, reinstatement and amendment fees, and other miscellaneous policy fees, are recognized when earned.

24.18 Interest income

Interest income is recognized in the statement of income for all interest-bearing financial instruments using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset.

When calculating the effective interest rate, the Company and the Trust Funds estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

24.19 Other income

Other income is recognized when earned.

24.20 Costs and expenses

Cost of contracts issued, other direct costs and expenses, and general and administrative expenses are recognized when incurred.

24.21 Leases

The Company recognizes lease as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently amortized on a straight-line basis over the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of the property and equipment. In addition, the right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the fair value change on the lease liability and decreased by lease payment made.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the statement of income.

24.22 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 exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

24.23 Provisions and contingencies

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements unless realization of income is virtually certain. It is disclosed in the notes to financial statements when an inflow of economic benefits is probable.

24.24 Subsequent events

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

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

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Supplementary information required by Revenue Regulations (RR) No. 15-2010

The information required by RR 15-2010 is presented below:

i. *Output value-added tax (VAT)*

Output VAT declared for the year ended December 31, 2021 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Policy income	19,600	2,100
Others	218,753	23,438
	238,353	25,538

Premiums and policy income above are based on actual collections and contributions, while revenues in the statement of income are based on the policies described in Note 24.13 to Note 24.18.

Output VAT on sale of equipment and others presented under Others above were assumed by the respective counterparty.

The Company utilized its available input VAT against its output VAT payable.

ii. Input VAT

Movements in input VAT for the year ended December 31, 2021 follow:

	Amount
Beginning balance (net of output tax)	2,318,217
Add: Current year's domestic purchases/payments for: Services lodged under other accounts	118,331
Claims for tax credit/refund and other adjustments	(25,538)
	2,411,010

Input VAT is netted against output VAT payable. Unutilized portion of input VAT is presented as part of the other assets in the statement of financial position.

iii. Documentary stamp tax

The Company paid DST amounting to P342 in 2021.

iv. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2021 consist of:

	Amount
Pre-need license	50,500
Mayor's permit	13,760
Community tax	504
Others	500
	65,264

The above local and national taxes are included in Other expenses under general and administrative expenses in the statement of income.

v. Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2021 consist of:

	Paid	Accrued	Total
Expanded withholding tax	1,114,831	95,804	1,210,635
Withholding tax on compensation	1,140,428	110,898	1,251,326
Fringe benefit tax	49,025	9,429	58,454
	2,304,284	216,131	2,520,415

Withholding taxes accrued is presented as a part of accrued expenses and other liabilities in the statement of financial position.

vi. Tax assessments

The Company has not received any preliminary or final assessment notice on open tax years.

vii. Tax cases

The Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at and for the year December 31, 2021.