PhilPlans First, Inc.
(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PhilPlans First, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PhilPlans First, Inc. (a wholly-owned subsidiary of Maestro Holdings, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PhilPlans First, Inc. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which discusses that on January 18, 2023, the Company received the letter from the Commission dated December 19, 2022 pertaining to the verification of the interim financial statements as of September 30, 2022 which indicates that the Company has trust fund deficiency on Pension and Education amounting to ₱471,481,116 and ₱426,688,359, respectively, insurance premium deficiency amounting to ₱18,414,760 and a liquidity reserve deficiency on Pension and Education amounting to ₱16,407,383 and ₱2,052,396,995. The Company was directed to submit within 10 days its action taken to cover up the trust fund and insurance premium fund deficiency. As of December 31, 2022, the Company has trust fund deficiency on Pension and Education amounting to ₱153,297,199 and ₱198,729,457, respectively, and liquidity reserve deficiency on Pension amounting to

₱1,535,294,814. The trust fund deficiency in Pension and Education as of December 31, 2022 is in part due to excess of certain assets over the prescribed limits under Section 34 of the Pre-Need Code of the Philippines IC Circular Letter No. 2022-25 and IC Circular Letter No. 2022-37 amounting to ₱256,525,684 and ₱188,960,746 for Pension and Education, respectively. On December 20, 2022, the Commission approved the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2023. On January 27, 2023, the Company submitted to the Commission the action plans and the responses to the findings of the Commission dated December 19, 2022. In this letter, the Company requested for the approval of the extension to level-off the breaches on equities per aggregate and singe issuer limits until end of 2023. On March 1, 2023, the Company received the letter from the Commission dated February 20, 2023. In this letter, the Commission acknowledged the action taken by the Company as approved by the Board of Directors to cover up the trust fund deficiencies for the Pension and Education plans and the related deficiency for the Insurance Premium Fund. The Company was also directed to submit various documents for further evaluation of the Company's request to level-off the breaches on equities which the Company was able to submit on March 13, 2023. As of report date, the Company has yet to receive a response from the Commission. Our opinion is not modified in respect of this matter.

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 accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PhilPlans First, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564655, January 3, 2023, Makati City

April 28, 2023

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents (Notes 7 and 27)	**₱717,826,531**	₱502,277,924
Financial assets (Notes 8, 27 and 28)		
Financial assets at fair value through profit or loss	**106,667,032**	109,452,340
Loans and receivables - net	**104,455,139**	169,999,242
Prepayments and accrued income (Notes 9 and 27)	**15,055,142**	9,685,958
Investments in trust funds (Notes 10 and 27)	**18,623,406,761**	21,820,142,466
Investment in trust fund managed by LandBank (Note 10)	**–**	1,733,703,900
Insurance premium fund (Notes 11 and 27)	**250,136,127**	252,436,801
Property and equipment (Note 12)	**13,751,244**	9,787,474
Service assets - memorial lots (Note 13)	**4,663,747,394**	4,280,495,146
Net pension asset (Note 19)	**15,265,462**	14,027,582
Other assets (Note 15)	**85,540,153**	86,348,439
	₱24,595,850,985	₱28,988,357,272
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Notes 16, 27, 28 and 31)	**₱5,330,138,870**	₱6,751,537,957
Pre-need reserves (Notes 6, 17 and 27)	**13,730,334,614**	16,077,500,619
Other reserves (Notes 6 and 18)	**203,152,528**	226,723,715
Deferred tax liability (Notes 10, 13 and 26)	**916,175,322**	1,144,600,012
	20,179,801,334	24,200,362,303
Equity		
Capital stock (Note 20)	**700,000,000**	700,000,000
Retained earnings (Note 20)	**4,020,765,681**	4,086,723,272
Other comprehensive income:		
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 10)	**(291,870,956)**	18,509,888
Remeasurement losses on defined benefit plan (Note 19)	**(12,845,074)**	(17,238,191)
	4,416,049,651	4,787,994,969
	₱24,595,850,985	₱28,988,357,272

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
INCOME		
Premiums (Note 29)	**₱809,760,510**	₱797,094,449
Trust fund income (Notes 10 and 21)	**105,928,237**	805,370,853
Interest and other income (Note 22)	**65,303,737**	412,915,831
Increase (decrease) in fair value of service assets - memorial lots (Note 13)	**512,949,982**	(75,756,064)
Sale of memorial lots (Note 11)	**20,406,769**	17,762,000
	1,514,349,235	1,957,387,069
COSTS AND EXPENSES		
Cost of contracts issued:		
Plan benefits expense	**3,320,086,279**	6,790,247,894
Decrease in pre-need reserves (including trust fund contributions (Notes 17)	**(2,347,166,005)**	(6,614,000,406)
Decrease in other reserves (Note 18)	**(23,571,187)**	(85,857,682)
Documentary stamp tax and Insurance Commission registration fees	**1,943,857**	1,781,889
Total cost of contracts issued	**951,292,944**	92,171,695
General and administrative expenses (Notes 24)	**266,610,635**	404,897,593
Other direct costs and expenses (Notes 11 and 23)	**85,696,251**	104,568,453
Selling expenses (Note 28)	**46,501,845**	48,814,281
Cost of sale of memorial lots (Notes 11)	**14,461,760**	12,575,443
	1,364,563,435	663,027,465
INCOME BEFORE INCOME TAX	**149,785,800**	1,294,359,604
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	**215,743,391**	(982,579,612)
NET INCOME (LOSS)	**(₱65,957,591)**	₱2,276,939,216

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME (LOSS)	**(₱65,957,591)**	₱2,276,939,216
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified into profit or loss:		
Remeasurement gains (losses) on defined benefit plan - net (Note 19)	**4,393,117**	(755,581)
Item that will be reclassified into profit or loss:		
Net changes in fair value of financial assets at fair value through other comprehensive income (Note 10)	**(310,380,844)**	(501,456,147)
	(305,987,727)	(502,211,728)
TOTAL COMPREHENSIVE INCOME (LOSSES)	**(₱371,945,318)**	₱1,774,727,488

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 20)	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Note 10)	Remeasurement Gains Losses on Defined Benefit Plan (Note 19)	Retained Earnings (Note 20)			Total
				Restricted	Unrestricted	Total	
Balance at January 1, 2022	**₱700,000,000**	**₱18,509,888**	**(₱17,238,191)**	**₱–**	**₱4,086,723,272**	**₱4,086,723,272**	**₱4,787,994,969**
Net income for the year	**–**	–	–	**105,928,237**	**(171,885,828)**	**(65,957,591)**	**(65,957,591)**
Other comprehensive income	**–**	**(310,380,844)**	**4,393,117**	–	–	–	**(305,987,727)**
Total comprehensive income	**–**	**(310,380,844)**	**4,393,117**	**105,928,237**	**(171,885,828)**	**(65,957,591)**	**(371,945,318)**
Reversal of appropriation	**–**	–	–	**(105,928,237)**	**105,928,237**	–	–
Balance at December 31, 2022	**₱700,000,000**	**(₱291,870,956)**	**(₱12,845,074)**	**₱–**	**₱4,020,765,681**	**₱4,020,765,681**	**₱4,416,049,651**
Balance at January 1, 2021	₱700,000,000	₱519,966,035	(₱16,482,610)	₱1,602,827,967	₱206,956,089	₱1,809,784,056	₱3,013,267,481
Net income for the year	–	–	–	805,370,854	1,471,568,362	2,276,939,216	2,276,939,216
Other comprehensive income	–	(501,456,147)	(755,581)	–	–	–	(502,211,728)
Total comprehensive income	–	(501,456,147)	(755,581)	805,370,854	1,471,568,362	2,276,939,216	1,774,727,488
Reversal of appropriation	–	–	–	(2,408,198,821)	2,408,198,821	–	–
Balance at December 31, 2021	₱700,000,000	₱18,509,888	(₱17,238,191)	₱–	₱4,086,723,272	₱4,086,723,272	₱4,787,994,969

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱149,785,800**	₱1,294,359,604
Adjustments for:		
Decrease in pre-need reserves (Note 17)	**(2,347,166,005)**	(6,614,000,406)
Fair value gain on service assets - memorial lots (Notes 10 and 13)	**(478,890,000)**	(4,938,000)
Trust fund income (Notes 10 and 21)	**(105,928,237)**	(805,370,853)
Loss (income) from service assets - memorial lots (Notes 10 and 13)	**(33,059,982)**	88,584,142
Decrease in other reserves (Note 18)	**(23,571,187)**	(85,857,682)
Interest income (Notes 7, 8, 11 and 22)	**(17,516,334)**	(23,487,329)
Depreciation and amortization (Notes 11, 12 and 24)	**10,088,034**	10,552,373
Retirement expense (Note 19)	**5,063,033**	5,096,632
Fair value loss on financial assets at FVTPL (Notes 8 and 11)	**2,738,788**	1,725,881
Fair value loss (gain) on investment property - net (Note 11)	**(916,500)**	6,229,066
Insurance premium fund income (Note 11)	**(671,220)**	(88,108,349)
Gain on sale of property and equipment (Note 22)	**(317,856)**	(127,964,500)
Recovery of credit and impairment losses (Notes 7, 8 and 24)	**(36,508)**	(5,600,536)
Gain on retirement of property and equipment (Note 12)	–	(4,732,276)
Gain on sale of investment in a subsidiary (Note 14)	–	(303,011,183)
Gain on sale of investment properties held under insurance premium fund (Note 11)	–	104,771,200
Amortization of prepaid consultancy fee (Notes 15 and 24)	–	35,000,000
Operating loss before working capital changes	**(2,841,398,174)**	(6,516,752,216)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**65,556,805**	71,144,982
Prepayments and accrued income	**(4,900,854)**	1,887,900
Other assets	**808,286**	(24,071,692)
Increase in accrued expenses and other liabilities	**(1,421,399,087)**	440,051,270
Net cash flows used in operations	**(4,201,333,024)**	(6,027,739,756)
Contributions to the retirement fund (Note 19)	**(443,424)**	–
Income taxes paid	**(314,321,345)**	(157,223,307)
Net cash flows used in operating activities	**(4,516,097,793)**	(6,184,963,063)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**₱17,048,004**	₱24,293,663
Proceeds from withdrawals from:		
Trust funds (Note 10)	**4,692,396,481**	5,633,171,241
Insurance premium fund (Note 11)	**74,461,760**	12,025,543
Proceeds from disposal of:		
Investment in a subsidiary (Note 14)	**–**	400,000,000
Investment properties and memorial lots withdrawn from insurance premium fund (Note 11)	**–**	320,000,000
Service assets - memorial lots	**129,697,734**	163,649,015
Property and equipment (Note 12)	**1,285,857**	160,000,000
Proceeds from maturities of:		
Investment securities at amortized cost (Note 8)	**–**	10,000,000
Acquisitions of:		
Property and equipment (Note 12)	**(12,141,009)**	(2,933,808)
Contributions to:		
Investment in trust fund managed by LandBank (Notes 10 and 34)	**–**	(56,677,509)
Insurance premium fund (Note 11)	**(73,381,836)**	(732,907)
Trust funds (Note 10)	**(97,720,591)**	(1,143,926,108)
Net cash flows provided by investing activities	**4,731,646,400**	5,518,869,130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**215,548,607**	(666,093,933)
CASH AND CASH EQUIVALENTS, BEGINNING	**502,277,924**	1,168,371,857
CASH AND CASH EQUIVALENTS, END (Note 7)	**₱717,826,531**	₱502,277,924

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

PhilPlans First, Inc. (the Company) was incorporated in the Philippines to engage in the development of lawful institutional mediums for the maintenance, conduct, operation, marketing and sale of any and all types of securities (without acting as stock broker), including, but not limited to, education, pension and life plans. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1989.

The corporate life of the Company is 50 years. On February 20, 2019, Republic Act No. 1132, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law by President Rodrigo Duterte. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Company is deemed to have selected a perpetual term.

The Company is a wholly-owned subsidiary of Maestro Holdings, Inc. (the Ultimate Parent Company), an entity incorporated in the Philippines.

The Company's registered office address and principal place of business is at 12th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

2. Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties and service assets - memorial lots (including those in the investments in trust funds and insurance premium fund) which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. Amounts are adjusted to the nearest Philippine Peso unit, unless otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

<u>Statement of Compliance</u>
The accompanying financial statements of the Company, which are prepared for submission to the Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR) and the Insurance Commission (IC or the Commission), 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)* and applicable IC Circular Letter and accounting requirements as disclosed in Note 3. The specific accounting policies followed by the Company are disclosed in Note 5.

Status of Investments in Trust Funds, Pre-need Reserves and Benefits Payable

As of December 31, 2022 and 2021, the excess of investments in trust funds over pre-need reserves and benefits payable of the Company amounted to ₱26,236,160 and (₱1,038,659,850), respectively, as follows:

	December 31, 2022*	December 31, 2021**
Investments in trust funds (Note 10)	**₱18,623,406,761**	₱21,820,142,466
Less 'Pre-need reserves' (Note 17)	**13,730,334,614**	16,077,500,619
Excess of investments in trust funds over pre-need reserves	**4,893,072,147**	5,742,641,847
Less 'Benefits payable' (Note 16)	**4,293,954,558**	5,745,144,825
Subtotal	**599,117,589**	(2,502,978)
Less: Adjustment on real estate (40% of appraisal increment)	**127,394,999**	127,394,999
Subtotal before breaches	**471,722,590**	(129,897,977)
Less 'Service asset' excess limit under Section 34 of Pre-need Code of the Philippines (Note 10)	**–**	908,761,873
Single issuer limit – PSE	**443,545,267**	–
Single entity limit – Long term commercial papers	**1,941,163**	–
Excess of investments in trust funds (Excess of pre-need reserves and benefits payable)	**₱26,236,160**	(₱1,038,659,850)

*Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*
** Calculated based on IC CL No. 08-2012, *Allowable Investments for Pre-Need Trust Funds*

As of December, 31, 2021, the Company is waiting for the approval of the Commission to include the investment in trust fund managed by Land Bank of the Philippines (Landbank) in the amount of ₱1,733,703,900 as part of the mandatory trust funds. Accordingly, the investment in trust fund managed by LandBank was not included in the determination of the trust fund sufficiency as of December 31, 2021. On May 24, 2022, the Company received a letter from the Commission dated May 13, 2022 where the Commission interposed no objection to the proposed amendments to the Company's trust fund agreement with Landbank. Accordingly, the investment in trust fund managed by LandBank is included in the determination of the trust fund sufficiency as of December 31, 2022.

2019

On November 19, 2019, ATRAM Trust Corporation (trustee bank on behalf of the Company) requested from the Commission for an extension of the deadline to liquidate the excess exposure of service assets investments which mainly comprise the 'other investments' in its trust fund until December 31, 2021. On December 19, 2019, Union Bank of the Philippines (trustee bank on behalf of the Company) also wrote to the Commission requesting for the same extension of deadline to liquidate excess exposure in service assets investments (see Note 10).

On December 04, 2019 and January 14, 2020, pursuant to the letters of the trustee banks to the Commission, the Company has been granted an extension of the deadline to liquidate its excess exposure to service asset investments until December 31, 2021. However, the Commission clarified in its response that the limitations provided by Section 34 of the Preneed Code shall still be observed and that the excess service assets will not be included in the determination of the trust fund sufficiency (see Note 10).

2020

On January 16, 2020, the Commission put on hold the Company's application for renewal of pre-need license for year 2020 due to the deficiencies in its trust funds, among others.

On February 21, 2020, the Company reiterated to the Commission its proposal to create and manage a trust fund solely for matured benefits (with maturity date of 2018 and prior years) on the condition that the fund maintains adequate liquidity and value to meet the projected cash outflow of the matured benefits. In the same letter, the Company also requested for the full admittance of the amounts in excess of the limit on 'Other investments' and allowing the Company to cure the breach until 2022.

On April 22, 2020, the Company informed the public and its plan holders that management is currently undertaking austere measures to address the deficiency and consequences of the COVID-19 pandemic. To improve the Company's performance, actions taken by the Company include, among others, the following:

i. Rightsizing the Company's operations by reviewing its operating expenses. This includes closing of its unproductive branches effective June 6, 2020. It has provided Notice of Closure to IC on April 28, 2020 in accordance with IC Circular 2016-30.

ii. Settling current maturing benefits payable and encouraging plan holders for early termination of fully paid up plans; and

iii. Implement the online processing of transactions and auto-crediting of plan benefit proceeds directly to plan holders' bank account.

On June 16, 2020, the Company mentioned to the Commission the following benefits payment programs and deferment plans it has adopted to help the Company recover the value of its investments:

i. Deferment of payment of maturing pension plans starting May 2020 for not more than one (1) year

ii. Deferment of payment for ancillary benefit of graduation gift for education plans for not more than one (1) year

iii. Deferment of payment for ancillary benefit of Return of Premium (ROP) of memorial life plans for not more than one (1) year

iv. Availment of any of the following options in lieu of receiving the maturity benefits in full:
   a. Cremation and memorial plans and memorial lots at preferred rates
   b. Liquidation of investments at depressed values and payment of maturity benefits at a discounted value of 15%
   c. Accept the deferment program on the payment of the plan benefits and wait for the payment of benefits in full within the year

v. Offering Cash Assistance Program for planholders whose plans are fully paid and have not yet matured

On June 24, 2020, the Commission approved the Company's request for the implementation of benefits payment program and the applicable deferment plans, with the following features:

i. Benefits of matured Pension plans for payment starting May 2020 shall be paid not later than July 2021;
ii. The primary Education plan benefit of currently availing plans is to be paid, including those incoming first year through the Initial Education Benefits (IEB). The Graduation Gift is to be paid not later than July 2021;
iii. For Memorial plans, the primary benefit of memorial service is to be served and made available when the need arises. The ancillary benefit of Return of Premium (ROP) is to be paid not later than May 2021;
iv. In the event that the planholder insists on getting the matured benefits immediately, planholders have the option to accept deferment program on the payment of their plan benefits and wait for the payment of benefits in full within a year, to be paid not later than May 2021; and
v. Offer the following Cash Assistance Programs for planholders whose plans are fully paid and have not yet matured. Provided, however that the offer to terminate the pre-need plan must be voluntarily accepted by the planholders, and the offer shall not prejudice the claim of planholders who do not avail of such offer.
   a. Enhanced Availment Benefits
   b. Plan Termination Value
   c. Pre-Maturity Benefit
   d. Lump Sum Benefits
   e. Cash Loan

On October 26, 2020, the Company submitted an appeal to the Commission to allow the full admittance of the amounts in excess of the limit on service assets - memorial lots amounting to ₱1,964,502,823 as of December 31, 2019 and allowing the Company to cure the breach until 2022.

On November 24, 2020, the Company formally created a separate trust fund with a local bank to settle its benefits payable from 2018 and prior years (see Note 10).

On December 21, 2020, to support its continuing operations, the Company also obtained a commitment from its shareholder to immediately provide necessary additional admissible asset contributions to the Company for infusion to its mandatory trust fund, if needed, upon resolution of its dispute with the Commission.

2021

On January 11, 2021, the Company filed a Petition for Declaratory Relief to the Court to interpret the provisions of the Pre-Need Code and to stop the Commission from declaring the Company's trust funds as deficient.

On January 12, 2021, the Company filed for a Temporary Restraining Order (TRO) and/or Preliminary Injunction against the Commission to restrain the latter from declaring the trust funds of the Company to be deficient and/or placing the same under conservatorship.

On January 13, 2021, the court called for hearing on the TRO and/or writ of preliminary injunction.

Both parties were given opportunity to make their arguments, after which, submitted the incident for the resolution of the court.

In an Order dated January 14, 2021, the Court issued a 20-day TRO effective for a period of 20 days and the Commission was directed to show cause why the petition should be denied.

On January 22, 2021, the hearing on the application for the issuance of Writ of Preliminary Injunction proceeded and the parties subsequently submitted their respective memoranda on the propriety of the issuance of the injunction on January 26 and January 27, 2021.

On February 2, 2021, the court denied the motion for the issuance of preliminary injunction due to failure to show that it has a clear and unmistakable right to be protected. Given the express power of the IC to regulate, supervise and monitor operations and management of pre-need companies, the Court cannot, through the Preliminary Injunction suppress and enjoin the IC from performing its statutory mandate of looking into the sufficiency of the trust funds of the pre-need companies despite differences in the interpretation of its provision by and between the IC and pre-need company. The Court also noted that the IC does not have an official position on the issue as the IC Commissioner has yet to make a definitive ruling or interpretation on whether the mandatory trust fund provided for under the Pre-need Code should or should not include the Plan Benefits Payable or whether the petitioner should in fact be placed under conservatorship.

On February 8, 2021, the Company filed a Motion for Reconsideration of the Court's Order dated February 2, 2021. The Company stated that the application for Preliminary Injunction only seeks to enjoin the Insurance Commission from implementing the erroneous application of Section 30 and 34 of the Pre-need Code. The Company emphasized that there was a clear and unmistakable right to consider its mandatory trust fund as sufficient and compliant with Section 30 of Pre-need Code.

On the same day, the Company filed a Motion for Voluntary Inhibition of the presiding judge to further hear the case and any of its pending incidents.

On March 1, 2021, the Commission released the result of the examination made into the affairs, financial position and methods of doing business of the Company as of December 31, 2018. In the said letter, the Commission instructed the Company to cover up in full the deficiency noted within 60 days upon receipt of the letter and to cure the excess service assets.

On March 3, 2021, pursuant to the Company's letter dated July 28, 2020, the Commission stated that the Company's change in the treatment of planholders' benefits payable to be funded and matched with the voluntary trust fund instead of the mandatory trust fund cannot be considered, unless the said voluntary trust fund complies with the provisions of the Pre-need Code. The Commission also mentioned that the Company has yet to present a voluntary trust fund compliant with the provisions of the Pre-need Code (see Note 10).

On March 4, 2021, the Commission ruled that the Company's change in the treatment of planholders' benefits payable to be funded and matched with the voluntary trust fund established by the Company, instead of the mandatory trust fund required by Section 30 of the PNC, cannot be considered. In the same letter, the Commission also highlighted that the excess service assets will remain to be excluded from the determination of the trust fund deficiency until such excess has been levelled off by the Company.

On March 5, 2021, the Company further filed an Urgent Motion for Voluntary Inhibition of the Presiding Judge including the Motion for Reconsideration of the Order dated February 2, 2021.

On March 19, 2021, the Company responded to the Commission on the issue of trust fund deficiency for calendar year 2018 and presented the following actions taken by the Company to address the noted deficiencies:

a. Unclaimed plan benefits payable for 2018 and prior year were paid in 2019 and 2020 using the Company's corporate funds under IMA:
b. To address the remaining balance of the 2018 unclaimed plan benefit payable, the Company created and set up a separate trust fund last November 2020 with LandBank

Below is the Company's presentation of the settlement of the plan benefits payable for 2018 and prior years to address the excess of pre-need reserves and benefits payable over investments in trust funds determined by the Commission as of December 31, 2018:

Trust Fund	Excess	2018 benefits paid	Over
Education	₱521,155,172	₱575,403,572	₱54,248,400
Pension	348,305,646	373,042,389	24,736,743
Total	₱869,460,818	₱948,445,961	₱78,985,143

On March 19, 2021, the Commission released the result of the examination made into the affairs, financial position and methods of doing business of the Company as of December 31, 2019. In the said letter, the Commission instructed the Company to cover up in full the deficiency noted within 60 days upon receipt of the letter. Below is the trust fund deficiency as of December 31, 2019 as determined by the Commission:

Trust Fund	Total
Life plans	₱192,892,775
Education plans	885,973,520
Pension plans	2,276,579,819
Total	₱3,355,446,114

On March 22, 2021, the Company responded to the issue related to the excess service asset stating that the Commission granted an approval for an extension of time to level off and correct the breaches of such investment until December 31, 2021 per IC letter dated January 14, 2020.

On March 29, 2021, pursuant to the Commission's letter dated March 4, 2021, the Company emphasized that based on Section 36 of the Code, only the actuarially computed and certified reserve requirement shall be used in the comparison or matching with the trust fund to determine the trust fund's adequacy.

These matters are also subject of an ongoing Petition for Declaratory Relief filed by the Company before the Regional Trial Court of Manila under Docket No. 21-00148-CV.

On April 12, 2021, the Company responded on the issue of excess service assets over the investment limits and stated that only after the expiration of the period to level off the breach should an action be taken on any excess or breaches similar to a Ruling from the Commission dated December 2, 2019. The Company also added that service asset sold on installment are technically no longer owned by the trust fund and should no longer be included in the computation or in the determination of an excess over the investment limits set forth.

In the same letter, the Company committed to address any excess service assets on investment limits and mentioned that they will replace the Php400 million service asset with cash in the voluntary trust fund under Union Bank. The cash replacement of service assets will be completed on or before end of 2021 and the first tranche of ₱200 million cash was deposited on April 8, 2021. Periodic additional cash replacements of service assets, on top of the ₱400 million, will be reported to the Commission after the first semester of the year.

On April 19, 2021, pursuant to the Company's letters dated March 19 and March 22, 2021, the Commission stated that the Separate Trust Fund created and set up by the Company with the LandBank to cover the remaining balance of the 2018 unclaimed plan benefits payable is not allowed under the Pre-need code. Hence, any balance in the unclaimed benefits payable should be included as a deduction from the trust fund. However, any payments made out of the Separate Trust Fund mentioned or from any corporate assets after the balance sheet date may be considered as after date transactions and therefore a deduction to a trust fund deficiency.

On April 22, 2021, the Company further informed the Commission that Sections 30, 32, 33, 35 and 38 of the Pre-need Code must be complied in relation to the set-up of Separate Trust Fund. However, the Company requested the Commission to review the applicability of the limits set in Section 34 of the Pre-need Code on the Separate Trust Fund.

The Company received the Commission's letter regarding the results of the 2019 examination on May 27, 2021.

On June 7, 2021, the Company withdrew the Petition for Declaratory Relief filed with the Court.

On June 8, 2021, in response to the Commission's letters dated March 19, 2021 and April 19, 2021, the Company filed a motion for reconsideration with the Commission in view of the Company's position that plan benefits payable should not be considered in determining the sufficiency in trust fund, among others, and therefore, investments in trust funds as of December 31, 2019 should not be declared as deficient.

On June 10, 2021, the Company received the April 28, 2021 letter of the Commission in response to the Company's letter dated March 18, 2021. In the said letter, the Commission reiterated that the Company's change in the treatment of plan holder's benefit payable to be funded and matched with voluntary trust fund established by the Company, instead of the mandatory trust fund cannot be considered, unless the said voluntary trust fund complies with the Pre-need Code. The Commission also emphasized that they can only allow the extension of time in leveling off the excess service asset investments and liquidate the service assets and it is beyond the power of the Commission to contradict the provision of Section 34 of the Pre-need Code which provides that all investments of the trust fund of a pre-need company shall be limited and subject to the limitations provided by the provision. The Company submitted requested documents of the Commission subsequently.

On June 30, 2021, in response to the Commission's letters dated March 19, 2021 and April 28, 2021, the Company presented the direct causes of the trust fund deficiencies, remedies to address the reported deficiencies and the Company's concerns with regards to compliance with the Pre-need Code upon application of the remedies. The Company further requested for an audience with the Commission to discuss their presentations and other plans to address the trust fund deficiencies.

On July 26, 2021, the Company reported to the Commission the actions it took to show its commitment in addressing the concerns on the excess on investment limits and on the adequacy and stability of the Company's trust fund. These include replacement of service assets with cash, additional contributions to Land Bank trust fund in the form of cash and service assets, deposits to the mandatory trust fund at gross value of service assets sold and additional contributions to mandatory trust fund representing 2019 unclaimed benefits in 2021 and 2020. Total trust fund contributions made amounted to ₱ 2.704billion.

On July 29, 2021, the Company reported to the Commission that it has consistently and continuously paid out the plan benefits of its plan holders to help them cross the threshold of the health and financial crisis our county is facing. Total benefits paid by the Company from 2018 up to June 30, 2021 amounted to ₱16,492,203,097 as reported in this letter.

On July 30, 2021, in response to the Commission's letter dated May 3, 2021 received by the Company on July 26, 2021, the Company re-submitted the June 30, 2021 letter on the voluntary or separate trust fund as compliance with the Pre-Need Code as noted above. Further, the Company presented their analysis of the trust fund deficiency after considering after-date transactions

On September 3, 2021, the Company received through email the Commission's letter dated August 24, 2021 in response to the Company's letter dated July 26, 2021, July 29, 2021 and July 30, 2021. The Commission informed the Company that that the cash deposits/contributions to the Pension Trust Funds managed by Union Bank of the Philippines amounting to ₱500,332,000 (gross of deferred tax liability of ₱115,103,128), which is a replacement to the gross value of the services assets are considered as after date transactions, which in effect, are treated as reduction to the excess in services assets in the 2019 trust fund deficiency. The corresponding deferred tax liability was also considered as reduction in the 2019 trust fund deficiency calculation. In addition, the Commission also cited the relevant provisions of the Pre-need code that the Company needs to comply with to consider the Separate Trust Fund at LandBank. In addition, the Commission also requested additional supporting documents for certain after-date transactions which include proof of deposits for the gross value of sale of service assets (to consider the deferred tax liability), additional contributions to trust fund for payments of 2019 unclaimed plan benefits payable in 2020 and 2021 and claim payments for 2020 and 2021 from the Company's separate trust fund/mandatory trust fund for unclaimed plan benefits in 2018 and prior years. Lastly, the Commission also indicated in this letter that the impact of the cash management program pertaining to the decrease in pre-need reserves were not considered in the 2019 trust fund deficiency calculation. In this letter, the Commission further reduced the Company's trust fund deficiency to ₱2,855,114,114. The Commission gave the Company 10 days upon receipt of the letter to cover the deficiency or show cause in writing why the Company should not be placed under conservatorship. The Company subsequently submitted some documents to the Commission.

On September 6, 2021, the Company received the letter of the Commission dated July 12, 2021 denying the Company's Motion for Reconsideration dated June 8, 2021. In this letter, the Commission also emphasized the following:

a. Plan Benefits Payable should be considered in determining the sufficiency of the Trust Funds as required by Section 30 of the Pre-need Code
b. The Commission has not allowed yet the Company's newly created Separate Trust Fund. Accordingly, the proposal to answer the unclaimed mature benefits payable may be allowed only if the relevant provisions of the Pre-need code are strictly complied with. Moreover, the Commission is waiting for the presentation of the proposed compliant voluntary trust fund (VTF).

c. The Commission has allowed the Company to level off the excess assets over the investment limits until December 31, 2022. The Commission has reiterated that while the Commission allowed non-cash contribution in the form of service asset (memorial lots), all limitations provided by the Pre-need Code, including Section 34 on investment limits, should be complied with.
d. The Commission may consider non-inclusion in the computation or in the determination of the excess over investment limits for service assets sold on installment provided the following shall be complied with:
    1. The trust fund service assets sold on installment shall be disclosed or segregated in the balance sheet of the trustee bank's financial statements and shall be valued at the time the asset was sold; and
    2. The detailed schedule in the trust fund financial statements shall also be attached to support the data in the balance sheet.

On September 10, 2021, in response to the Commission's letter dated July 12, 2021, the Company cited the subsequent actions taken to address the issues raised by the Commission. In this letter, the Company indicated that it will no longer pursue the proposal to have a Separate Trust Fund for the protection of the interests and benefits of the plan holders with unclaimed maturity benefits. The funds that were placed in the separate trust fund will now be part of the mandatory trust fund. Furthermore, the Company stated that the unclaimed maturity benefits of 2019 and 2018 were paid using the mandatory trust fund but the payouts were subsequently reimbursed from the corporate funds and infused back into the mandatory trust fund. In addition, the Company reiterated that the cash replacement of service assets in the mandatory trust fund, either through sale of corporate assets or service assets sold were deposited into the mandatory trust fund at gross of the deferred tax liability and corporate will shoulder the related taxes.

On September 13, 2021, the Company received the Commission's letter dated June 22, 2021 in response to the Company's letter dated June 3, 2021 and March 19, 2021. The Commission informed the Company about its findings on the subsequent payment made for the 2018 plan befits payable and requested the Company to submit additional documents. The Company submitted the requested documents of the Commission subsequently.

On September 13, 2021, the Company also received the Commission's letter dated June 23, 2021 in response to the Company's letter dated April 22, 2021. The Commission clarified that it has not approved the newly created Separate Trust Fund and outlined the requirements of the Commission. In the same letter, the Commission also denied the Company's request for the non-applicability of the limits in Section 34 of the Pre-need code to the Separate Trust Fund.

On October 10, 2021, Company received the September 21, 2021 letter of the Commission in response to the Company's letter dated September 10, 2021. In this letter, the Commission informed the Company that it has evaluated the additional documents and considered after-date transactions amounting to ₱510,821,653. This resulted to a reduction of the 2019 trust fund deficiencies from ₱2,855,114,114 to ₱2,344,292,460. In this letter, the Commission also reiterated that the Separate Trust Fund of the Company with LandBank does not fully qualify as trust fund under Section 30 of the Pre-Need Code while the Trust Fund Agreement executed by and between the Company and LandBank was not in accordance with the provisions of Sections 32, 34 and 37 of the Pre-need Code. The Commission gave the Company 10 days upon receipt of the letter to cover the deficiency or show cause in writing why the Company should not be placed under conservatorship.

On October 11, 2021, the Company received the September 28, 2021 letter of the Commission in response to the Company's request to approve the trust fund agreement dated November 24, 2020. The Commission denied the approval of the trust fund agreement with LandBank as certain provisions in the trust fund agreement was not in accordance with Section 30 and 37 of the Pre-need code. One of the provisions is the pooling of unclaimed benefits of all three pre-need plan categories under one fund managed by LandBank. Accordingly, this violates Section 30 which prescribes and institutionalizes the establishment of trust funds per pre-need category. Second, the trust fund agreement indicates that the additional contribution shall be in the form of non-cash assets comprising of memorial lots to be considered as service assets, which is not consistent with the requirements of Section 37 that requires payment for availing plans for succeeding year and plans that are due and demandable and shall be paid out of the liquidity reserves, which composes either cash deposits and identified investments under Section 37.

On October 9, 2021, the Commission eventually issued a letter which the Company received on October 26, 2021 stating that the trust fund deficiency was reduced to ₱1,890,254,676 after considering the additional documents submitted by the Company for after-date transactions of ₱425,037,784. In the same letter, the Commission gave the Company 10 days upon receipt of the letter to cover the deficiency or show cause in writing why the Company should not be placed under conservatorship.

On November 2, 2021, the Company responded to the Commission's letter and cited various items for consideration of the Commission. These include the submission of the amended trust fund agreement with LandBank dated October 28, 2021, with the corresponding allocation of assets to different pre-need categories. Further, the Company also informed the Commission that a large portion of the service assets in the trust fund were already sold. The total value of heritage lots sold under corporate and trustee books amounted to ₱600,023,040 and ₱409,023,040, respectively.

2022

On January 5, 2022, the Company provided updates to the Commission with the recent developments in its liquidation program for service assets, as well as request for approval of its separate trust fund into the mandatory trust fund and liability management program. In this letter, the Company sold service assets amounting to ₱406,023,040 and replaced service assets amounting to ₱917,828,000 with cash. Furthermore, the Company indicated that it has contributed ₱2,562,255,260, consisting of cash infusions amounting to ₱825,987,260 and investment in trust fund managed by LandBank amounting to ₱1,736,268,000, and has paid its benefit obligations amounting to ₱12,780,910,015 to the plan holders. The Company mentioned in this letter that it has also finalized the negotiation on the sale of another service asset.

On February 28, 2022, the Commission provided ATRAM Trust Corporation (ATRAM) and Union Bank of the Philippines (UBP) a letter informing the trustee banks that the investment in trust assets for these trustee banks have already exceeded the individual limits on equities provided under Section 34 of the Pre-need Code. The Commission directed these trustee banks to level off the excess investments in stocks of PSE (issuer) until end of the second quarter of 2022. Failure to level off the excess investments to the Commission's prescribed limits-shall prompt the Commission not to consider the said excess investments in the determination of sufficiency of trust funds. In addition, the Commission also reiterated the requirement in its letter dated December 4, 2019 to liquidate the Heritage memorial lots under ATRAM, with total exposure as of December 31, 2021 of ₱258,560,000 and ₱90,900,000 for life and education trust funds.

On March 16, 2022, the Company responded to the Commission's letter sent to the trustee banks ATRAM and UBP dated February 28, 2022. The Company requested to extend the period to level off the excess investments until December 31, 2022.

On April 11, 2022, the Company officially sent a letter to the Commission to again request for its approval for the investment in trust fund managed by LandBank to be considered as part of mandatory trust fund.

On April 12, 2022, the Company received the letter from the Commission dated March 24, 2022 which approved the Company's request for the extension to level-off the excess equity investments until December 31, 2022. The Commission also requested for a clarification on the additional purchases of shares of stock and noted the sales of service assets in one of the trustee banks. The Commission also reminded the Company about the service assets held under ATRAM which should have been liquidated in full but only shows minimal sales in 2021.

On April 12, 2022, the Company advised the Commission that the EDSA property was already sold in accordance with the Commission's directive to level-off the excess service asset to address the trust fund deficiency.

On April 18, 2022 the Company acknowledged the Commission's approval on the extension to level-off the excess equity investment up to December 31, 2022 and clarified that there were no additional purchases of PSE shares of stock as this was just a transfer from one trustee bank to the other trustee banks. Likewise, the Company requested for updates from the Commission on the approval of its investment in trust fund managed by LandBank.

On May 12, 2022, the Company submitted the Company's amended trust agreement with LandBank and the corresponding asset portfolio.

On May 16, 2022, the Company received the letter from the Commission dated May 6, 2022. In this letter, the Commission acknowledged that the additional PSE shares were simply transferred from one trustee bank to another and are not new acquisitions. On the request for approval of trust fund agreement with LandBank, the Commission indicated that this has been discussed during the meeting between the representatives from the Commission and the Company and will be addressed by the Commission in a separate letter.

On May 24, 2022, the Company received a letter from the Commission dated May 13, 2022 in response to the Company's submission of an amended trust agreement with LandBank and the corresponding asset portfolio dated May 12 2022. In this letter, the Commission interposed no objection to the proposed amendments to the Company's trust fund agreement with LandBank pursuant to IC CL Nos. 2-2013 and 2013-26. The Commission, however, cited the observations based on the review of the trust fund agreements:

(1) The service assets of each trust fund for Pension, Life and Education have exceeded the prescribed limit under IC CL No. 08-2012. The service assets for Pension, Life and Education trust fund accounted for 30.92%, 16.08% and 35.74% of the total trust fund value per trust fund statement as of March 31, 2022. In addition, the Commission also highlighted that for Life plans, memorial lots/columbaries that are not part of the package of a funeral service shall be considered as inventories held for sale and shall be considered as real estate. The Commission further highlighted that such asset category shall not exceed 15% of the trust fund and that no investment in any single entity shall exceed 10% of the total value of the trust fund. In this case, the Company is allowed only up to 10% of the trust fund for memorial lots being Heritage Memorial Part as the sole provider of the memorial lots. Lastly, the Commission also mentioned that memorial lots do not qualify as service assets for the Education and Pension Plans as these assets are not intended for resale and cannot be used to offset future liabilities of the Education and Pension Plans.

(2) The assets under the Real Estate category of its Education Trust Fund was at 14.60% which already exceeded the 12.00% limit under IC CL No. 2017-28.
(3) The Commission highlighted that the placements in savings or time deposits for each trust fund per pre-need plan category are not yet approved as the amended trust fund agreement is not yet approved, which is not consistent with the requirements of IC CL 2019-19 which provides that no pre-need company may invest its trust funds in savings or time deposits without prior approval.

The Commission directed the Company to level off the excess investments in service assets and real estate on or before December 31, 2022 and to comply with the requirements of IC CL 2019-19.

On May 30, 2022, the Company responded to the Commission's letter dated May 13, 2022 regarding the exclusion of service assets from the trust fund managed by LandBank under the Education and Pension plans. In this letter, the Company clarified the treatment of the service assets in the form of memorial lots under the Pension and Education trust funds and justified its rationale for including such as service assets under Pension and Education trust funds.

On May 31, 2022, the Company wrote another letter to respond to the same letter from the Commission dated May 13, 2022 regarding the limits applicable to service assets. In this letter, the Company stated that memorial lots as service assets should not be treated as financial assets but rather as physical assets with stable value, hence the single entity rule is not applicable. Management believes that the use of the 15% limit on the service assets is fair and acceptable.

On June 10, 2022, the Company submitted to the Commission its 2021 audited financial statements. In the same letter, the Company requested for the issuance of its license.

On June 20, 2022, the Company requested to the Commission for the approval to invest in the various Time Deposits and Unit Investments Trust Fund as a requirement under IC Circular Letter No. 2019-29, *Guidelines on Investment of Trust Fund in Savings/Time Deposit and Unit Investments Trust Funds*.

On July 18, 2022, the Commission issued IC CL No. 2022-37, *Amended guidelines on allowable investments for Pre-need trust funds,* effective immediately. This Circular provides certain additional investments outlets which shall be allowed as 'Other Investments' with corresponding limits determined based on the historical acquisition cost of the investments. The Circular also provides changes of treatment on existing service assets of Pre-need Companies. The Circular stated that Pre-need companies should liquidate the balances of its service assets for a period of three (3) years from the effectivity of IC CL No. 2022-37 This supersedes the previous investment requirements of IC CL No. 08-2012, *Allowable Investments for Pre-Need Trust Funds.*

On August 03, 2022, the Company requested the Commission's approval to allow LandBank to invest in special savings deposits/time deposits for a maximum amount of ₱500.000 million for each of the Land Bank Trust Banking Group (LPB TBG/LBP) Accredited Counterparty Banks.

In its letter dated September 15, 2022, the Company presented to the Commission the initial calculation of trust fund sufficiency as of December 31, 2021 and March 31, 2022 considering the requirements of IC CL No. 2022-37. In its calculation, the Company included after-date transactions approved by the Commission such as the inclusion of Investment in Trust Fund managed by LandBank amounting to ₱1,401,736,369 and the impact of the sale of the EDSA property. The initial calculation of the trust fund sufficiency as of December 31, 2021 resulted to a surplus of ₱1,260,542,636, after considering after-date transactions of ₱1,390,440,613 and prior to applying the excess over the limits on total equities and investment in single issuer amounting to ₱823,968,765. The resulting overall surplus was reduced to ₱436,573,871 after excess on the required limits, net of trust fund deficiency on Education of ₱211,181,579. On the other hand, the initial calculation of trust fund sufficiency as of March 31, 2022 resulted to a surplus of ₱1,287,927,810 after considering after-date transactions of ₱1,409,091,375 and prior to applying the excess over the limits on total equities, investment in single issuer for equities, real estate and investment in single issuer for long term commercial papers totaling to ₱933,371,861. The resulting overall surplus was reduced to ₱354,555,950 after excess on the required limits, net of trust fund deficiency on Education and Pension of ₱153,636,137 and ₱59,884,432, respectively. In the same letter the Company requested for an extension to level off the breach up to December 31, 2023 and to exclude the excess over the limits on equities in the calculation of trust fund sufficiency. The Company highlighted in the letter that the trustee banks liquidated the fixed income instruments to pay off the maturing obligations and maintained the level of equity investments in anticipation of the projected recoveries. The Company reiterated in the letter that these actions were taken to secure the trust fund values and to protect the interest of its planholders. The Company also included in the letter the strategies and the recommendations of its trustee banks to maintain the existing level of investment in equities.

On October 4, 2022, the Company received a letter from the Commission dated September 20, 2022 responding to its letter dated September 15, 2022. In this letter, the Commission directed the Company to furnish various documents and schedules pursuant to the requests of the Company for an extension to level-off the breaches on equities per aggregate and single issuer limits up to December 2023; and exclusion of the excess equity breaches from the trust fund sufficiency determination if not yet levelled-off by December 2023. These include the final report of the agreed-upon procedures to determine the value of the trust funds in accordance with the requirements of IC CL No. 2022-37 as of December 31, 2021 and March 31, 2022, the detailed schedule as of December 31, 2021 and March 31, 2022 to support the computed amount of the value of trust funds at cost, the detailed projected quarterly schedule of planholders' benefits payable that will be availed until December 31, 2023 and the related source to pay such benefits; and the approval of the Board of Directors of the Company for the request to extend the levelling-off of equities up to 2023.

On September 27, 2022, the Company submitted to the Commission the following documents pursuant to the Company's letter dated September15, 2022:
1. Asset Maturity Profile as of March 31, 2022 versus 2023 quarterly projection of benefits payout;
2. Board approval of the request to extend the levelling-off of equities up to 2023; and
3. Metropolitan Bank and Trust Company – Trust Banking Group's 3 Years Investment Outlook.

On October 13, 2022, the Company received the letter from the Commission dated September 30, 2022 in response to its letter dated September 27, 2022. In this letter, the Commission acknowledged the Company's submitted documents per Company's letter dated September 27, 2022. In addition, the Commission directed the Company to submit the remaining requirements as contained in the Commission's letter dated September 20, 2022 to complete the Commission's evaluation of the Company's request to level-off the breaches on equities.

On October 6, 2022, the Company submitted to the Commission the final computation of its trust fund sufficiency as of December 31, 2021 and March 31, 2022, applying the requirements of IC CL No. 2022-37 which was received by the Commission on October 7, 2022. The final calculation of trust fund sufficiency as of December 31, 2021 resulted to a surplus of ₱1,260,542,636, after considering after-date transactions of ₱1,390,440,613 and prior to applying the excess over the limits on total equities and investment in single issuer amounting to ₱640,178,606. The resulting surplus was reduced to ₱640,364,030 after applying the excess on the required limits, net of trust fund deficiency on Education of ₱116,589,562. On the other hand, the final calculation of trust fund sufficiency as of March 31, 2022 resulted to a surplus of ₱1,299,633,505, after considering after-date transactions of ₱1,409,091,375 and prior to applying the excess over the limits on total equities, investment in single issuer for equities, real estate and investment in single issuer for long term commercial papers totaling to ₱633,232,243. The resulting overall surplus was reduced to ₱666,301,262 after excess on the required limits, and all pre-need plan category showed a surplus. In this letter, the Company requested from the Commission the issuance of its license.

On October 18, 2022, the Company submitted the breakdown per plan category of its asset maturity profile as of March 31, 2022 versus 2023 quarterly projection of benefits payout pursuant to the Commission's letter dated September 30, 2022. The submission was received by the Commission on October 19, 2022.

On October 28, 2022, the Company responded to the Commission's letter dated October 24, 2022 on the verification of the 2021 Annual Statement. In this letter, the Company clarified that the Liquidity Reserve Requirement Deficiency in the Company's Education Plan amounting to ₱1,543,190,912 is due to the assumption that the unclaimed benefits payable of ₱2,280,542,610 will be claimed. The Company presented the various historical availment rates for the Commission to consider in the computation of liquidity reserve requirement. Based on the Company's historical experience, the computed shortfall of ₱17,725,416 for pension will be eliminated while the ₱565,682,208 shortfall on education will be reduced to ₱205,683,916. The Company also stated that it made substantial remittances in 2022 amounting to ₱104,310,965 and ₱188,262,600 both for pension and education plans, respectively, representing proceeds from the sale of service assets and the EDSA property, respectively. The Company also committed to immediately liquidate corporate assets to address any additional funds needed to cover maturing policies.

On November 2, 2022, the Company received a letter from the Commission dated October 24, 2022 regarding the verification of the 2021 Annual Statement. In this letter, the Commission have provided the results of its verification as follows:

1. The Company is compliant to the unimpaired capital requirement as of December 31, 2021 under Section 9 of the Pre-Need Code;
2. The Company is compliant to the Insurance Premium Fund requirement under IC CL No. 2012-23;
3. After verification of the documents submitted on October 17, 2022, the Commission mentioned that the verification resulted to a deficiency on the Company's Education Plan of ₱40,581,782 as of December 31, 2021, which deemed covered up in full by the subsequent transactions resulting to a surplus of ₱71,397,177 as of March 31, 2022. After verification of the March 31, 2022 trust funds, the Commission mentioned that the Company is compliant with the Trust Fund requirement under Section 34 and related IC CL No. 2022-37 with noted surpluses across all plans after considering the after-date transactions.
4. The Company has deficiency in Liquidity Reserve requirement under Section 37 of the Pre-need Code amounting to ₱1,543,190,912, which includes planholders' benefits payable of ₱2,280,542,611, majority of which is from unclaimed benefits amounting to ₱2,219,453,423;

5. The Company was also provided with the following observations on its asset maturity profile and quarterly projection of benefits payouts:

Category	Observations
Life Plan	The liquid assets (composed of fixed income and cash and cash equivalents) to mature until end of 2023 of ₱607,017,023 are sufficient to pay the total projected payouts for 2023 of ₱233,724,963.
Pension Plan	The liquid assets to mature until end of 2023 of ₱1,741,134,166 are not sufficient to pay the total projected payouts for 2023 of ₱1,758,859,582, or short by ₱17,725,416.
Education	The liquid assets (composed of fixed income and cash and cash equivalents) to mature until end of 2023 of ₱782,417,381 are not sufficient to pay the total projected payouts for 2023 of ₱1,348,099,588, or short by ₱565,682,207.

Based on the results of the verification, the Company was directed by the Commission to submit an action plan, as approved by the Board of Directors, to address the short fall on the liquid assets of pension and education plans and the deficiency on the liquidity reserve requirement under Section 37 of the Pre-Need Code in the amount of ₱1,543,190,912 within ten (10) days upon receipt of the letter. In addition, the Company is directed to ensure that all claims submitted to the Company are processed for payments and paid for appropriately by the Company on schedule, otherwise, the Commission shall exercise its supervisory and regulatory powers under the Pre-need Code. The Commission further stated that the approval of the Annual Statement is subject to the submission of the above requirements.

On November 7, 2022, the Commission responded to the Company's letter dated October 28, 2022 on the results of the verification of the 2021 Annual Statement per letter dated October 24, 2022. The Commission acknowledged the Company's explanation on the deficiency in liquidity reserve and assets maturity profile with quarterly projection of benefits payout for 2023. In this letter, the Commission reiterated the submission of the action plans approved by the Board of Directors, as required by the Commission in its letter dated October 24, 2022, to address the short fall on the liquid assets of pension and education plans and the deficiency on the liquidity reserve requirement under Section 37 of the Pre-Need Code in the amount of ₱1,543,190,911 within five (5) days upon receipt of the letter. Additionally, the Company is directed to ensure that all claims submitted to the Company are processed for payments and paid for appropriately by the Company on schedule, otherwise, the Commission shall exercise its supervisory and regulatory powers under the Pre-need Code.

On November 8, 2022, the Company received three (3) letters from the IC all dated November 7, 2022 for the release of the Certificate of Registration and License to Act as a Pre-need Company for the years 2020, 2021 and 2022.

On November 25, 2022, the Company submitted its letter to the Commission pertaining to the action plans approved by the Board on November 23, 2022, in addressing the observation of the Commission on the adequacy of the liquid assets and sufficiency of the liquidity reserve requirement in relation to the payout of maturity benefits. In the letter, the Company highlighted that the Board of Directors (BOD) reiterated the position of the Company in using the historical benefit payouts on future maturities and outstanding plan benefit payable in relation to the adequacy of the liquid assets and in the computation of liquidity reserve requirement. The Company presented the payment of benefit payout of ₱1,008,014,057 on the noted liquidity shortage of ₱1,543,190,912, leaving a balance of ₱535,176,855. Additionally, the Company also included in the letter the action plans approved by the Board to address remaining balance of the liquidity shortage which includes the collections on the sale of Heritage lots and EDSA property, timely disposal of corresponding government securities, equities and real estate properties under trust fund and disposal of corporate assets, as the need arises to meet the liquidity requirements of the trust fund.

On December 1, 2022, the Commission approved the 2021 Annual Statement and the related synopses of the 2018, 2019, and 2020 Annual Statements. The approval was attendant to the Company's compliance with the Commission's requirements per its letters dated October 24, 2022 and November 7, 2022. In addition, the Commission directed the Company for the publication of the same within thirty (30) days from receipt hereof and furnish the IC with the pertinent newspaper clippings.

On December 20, 2022, the Commission approved the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2023.

On January 9, 2023, the Company submitted to the Commission its compliance with the publication of the Annual Statements for the years 2018, 2019, 2020 and 2021 per the Commission's letter dated December 1, 2022.

On January 10, 2023, BPI sought confirmation from the Commission on the trust fund investment exposures on the trust fund accounts of the Company with BPI if in accordance with the aggregate and per issuer limits provided under Section 34 of the Pre-need Code and IC Circular Letter Nos. 2022-25 and 2022-37.

On January 18, 2023, BPI submitted to the Commission its proposed Annual Investment Strategy for the year 2023 on various trust fund accounts of the Company.

On January 18, 2023, the Company received the letter of the Commission dated December 19, 2022, pertaining to the verification of interim financial statements as of September 30, 2022 with results as follows:

1. The Company is compliant with the minimum paid-up capital;
2. The Company is compliant with the trust fund investment limitations as required by Section 34 of the Pre-need code and IC CL No. 2022-25 and IC CL No. 2022-37, except for the investment in equity securities per single issuer under the Pension and Education plans, which exceeded the prescribed limitations;
3. The Company's trust fund for Pension and Education plans are deficient by ₱471,481,116 and ₱426,688,359, respectively;
4. The Company's insurance premium fund is deficient by ₱18,414,760;
5. The Company's liquidity reserve for Pension and Education plans are deficient by ₱16,407,383 and ₱2,052,396,995, respectively.

The Company was directed by the Commission to submit within ten (10) days its action taken to cover up the trust fund deficiencies for pension and education plans and the related deficiency for the insurance premium fund.

On January 24, 2023, the Company requested approval from the Commission on the reimbursement of expenses directly related to the delivery of benefits and services to the planholders amounting to ₱25,411,059. The request was pursuant to Section 30 of the Pre-need Code and Article II of IC Circular Letter No. 2013-26.

On January 27, 2023, the Company submitted to the Commission the action plans and the responses to the findings of the Commission per letter dated December 19, 2022. In this letter, the Company requested for the approval of the extension to level-off the breaches on equities per aggregate and singe issuer limits until end of 2023 and to allow the applicable values of the investment class amounting to ₱247,153,153,708 and ₱177,64,486 for Pension and Education plans, respectively, for a total of ₱424,798,194. The Company also mentioned that the service assets under Pension and Education plans have increased in value as a result of the appraisal increment as of December 29, 2022 amounting to ₱43,152,000 and ₱199,920,000.00, respectively. The Company contributed service assets amounting to ₱18,630,000 in addressing the deficiency in Insurance Premium Fund of ₱18,414,760. The Company submitted a copy of the Secretary's Certificate on the approved action plans.

On February 1, 2023 , the Commission responded to the letter of BPI dated January 10, 2023. The Commission stated that the trust fund investment exposures on the trust fund accounts with BPI are in accordance with the aggregate and per issuer limits provided under Section 34 of the Pre-need Code and IC Circular Letter Nos. 2022-25 and 2022-37.

On February 6, 2023, the Commission responded to the letter of BPI dated January 18, 2023. The Commission acknowledged the proposed Annual Investment Strategy submitted by BPI and stated that the same was forwarded to the Commission's Investment Services Division for reference and appropriate action, if any.

On February 15, 2023, the Company submitted a follow-up letter to the Commission requesting for approval on the reimbursement of expenses directly related to the delivery of benefits and services to the planholders pursuant to the Company's letter dated January 24, 2023.

On March 1, 2023, the Company received the letter from the Commission dated February 20, 2023. In this letter, the Commission acknowledged the action taken by the Company supported with Secretary's Certificate on Board approval to cover up the trust fund deficiencies for the pension and education plans and the related deficiency for the insurance premium fund. For further evaluation of the Company's request to level-off the breaches on equities, the Company is requested to submit the breakdown per plan category of its Asset Maturity Profile as of December 31, 2022 versus 2023 quarterly projection of benefits payout and onwards and the updated schedule of property sold on installment, showing the balance of the Receivable and related Deferred Tax Liabilities until December 31, 2022.

On March 13, 2023, the Company submitted the following documents in response to the letter of the Commission dated March 1, 2023 with regards to the additional requirements for the evaluation of the Company's request to level-off the breaches on equities until December 31, 2023.

1. Breakdown per plan category of Asset Maturity Profile as of December 31, 2022;
2. 2023 quarterly projection of benefits payout and onwards; and
3. Schedule of property sold on installment as of December 31, 2022.

Also, the Company emphasized its commitment to meet its liquidity requirement vis-à-vis the plan maturities as they fall due through timely disposal of corporate assets (including service assets), when necessary.

As of the date of the release of the financial statements, management have yet to receive a formal response from the Commission on the request to extend the leveling-off of the breaches on equities per aggregate and single issuer limits until December 31, 2023.

3. **Pre-Need Regulations**

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

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

- *Authority of the Insurance Commission.* All pre-need companies shall be under the primary and exclusive supervision and regulation of the Commission.

- *Paid-up capital.* A pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. Existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:
  a. ₱100 million for companies selling at least three (3) types of plan;
  b. ₱75 million for companies selling two (2) types of plan; and
  c. ₱50 million for companies selling a single type of plan.

- *Trust fund.* The trust fund shall at all times be sufficient to cover the required pre-need reserve (PNR). The RA specifies the minimum amount of corresponding contributions to the trust fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Pre-Need Rule 31, as Amended: Accounting Standards for Pre-Need Plans and PNUCA</u>
On May 10, 2007, the SEC issued Pre-Need Rule 31, as Amended, which adopted the revised accounting standards and chart of accounts that shall be considered the generally accepted accounting principles in the Philippines for pre-need companies. This Amended Pre-Need Rule 31 became effective for interim financial statements covering periods ended June 30, 2007 and onwards and for annual financial statements for the year ended December 31, 2007 and thereafter.

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

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

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

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

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

Pre-need reserve

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

b. In recognizing PNR for education and pension plans, the general requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on provisioning and the specific methodology provided under this item shall be complied with by the company. For life plans, the requirements of Philippine Financial Reporting Standard (PFRS) 4, *Insurance Contracts*, shall be complied with by the Company;

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

d. The actuarial reserves for benefits shall be determined on prospective basis. The actuarial reserves for benefits directly provided by the pre-need company must be equal to the present value of all future benefits directly provided by the company less the present value of the future contributions to reserves for such benefits. The actuarial reserves for benefits provided indirectly by the pre-need company should be equal to the present value of the cost of providing these benefits less the present value of the contributions to reserves to provide for these benefits. Actuarial reserves on pre-need contracts should ever be less than the corresponding termination values;

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

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

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

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

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

j. Any excess in the amount of the trust funds as a result of the revised reserving method shall neither be released from the fund nor be credited to offset against future required contributions.

Insurance premium fund
This represents corporate assets that are restricted to cover the payment of insurance premiums after the paying period of the pre-need plan. This shall be at least equal to the amount computed for the IPR under paragraph 13 of the Amended Pre-Need Rule.

Other reserves
The company shall setup other provisions in accordance with PAS 37 to cover obligations such as IPR.

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

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

Trust fund income
Income generated by the trust fund shall be included in the 'Investments in trust funds' account under the asset section of the statement of financial position.

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

Cost of contracts issued
This account pertains to:

a. The increase in PNR as at the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result from new information or new developments, the amount shall be deducted from the 'Cost of contracts issued' of the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by the pre-need company;

b. Amount of trust funds contributed during the year; and

c. Documentary stamp tax and IC registration fees.

The foregoing items shall be presented separately on the face of the statement of income.

Other direct costs and expenses
This account includes the following, which shall be presented separately in the notes to the financial statements:

a. Basic commissions;
b. Other commission such as overrides, bonuses;
c. Insurance; and
d. Other expenses that constitute direct cost of contracts issued.

Individual subsidiary accounts for education plans and for pension plans must be maintained (e.g., (1) 'Cost of contracts issued - education plans,' (2) 'Cost of contracts issued - pension plans').

SEC Interpretative Bulletin No. 1, Series of 2008
On January 17, 2008, the SEC issued a bulletin to guide pre-need corporations, pre-need actuaries and pre-need external auditors on the implementation of Amended Pre-need Rule 31 and PNUCA.

The more significant provisions of this bulletin are as follows:

Pre-need reserve
The PNR or the reserve for education plan, life plan and pension plan, covers the liabilities for education plan, life plan and pension plan. The PNR represents the present value of future pre-need benefits less the present value of future trust fund contributions. The PNR of the three (3) plan types should be maintained separately as they differ in treatment and assumptions. The amount indicated as PNR shall be the same as that stated in the actuarial valuation report and audited financial statements with the required disclosures.

Discount rate
The company should compute the PNR using the SEC-approved hurdle rate per product model for Currently-Being-Paid Plans and Fully Paid Plans whose benefit payments are not due within the next five (5) years.

The company may also compute the present value of its liabilities using a lower discount rate other than the SEC-approved hurdle rate and the difference between the two computations shall be booked under the 'Other reserves' account in the audited financial statements, in accordance with the Amended Pre-need Rule 31.

Other reserves
Under the account 'Other reserves,' the company may, at its option and as a prudent measure, set up other provisions. Thus, the 'Other reserves' account may include the following items:

- General administrative expense after the paying period;
- Paid-up capital reserves;
- Reserve for the difference in the PNR computation using a rate other than the IC-approved hurdle rate; and
- Other reserves as may be allowed by the Commission.

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

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

Year	Discount Interest Rate
2013 - 2016	8.00%
2017	7.25%
2018	6.50%

Year	Discount Interest Rate
2019 and 2020	6.00%
2021	5.75%
2022	5.75%

In valuing PNR, the Company used a discount rate of 5.75% for all approved plans in 2022 and 2021.

b. Transitory Pre-Need Reserve
In effecting the transition in the valuation of reserves for old basket of plans, IC shall prescribe a TPNR with a maximum transition period of ten (10) years. For each of the pre-need plan categories, the TPNR shall be computed annually on all old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability set-up shall be the PNR. However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

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

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

IC Circular Letter No. 2017-28
On May 2, 2017, the IC issued Circular Letter 2017-28 relating to the first two percent (2%) upward adjustment on the investment threshold allocation under the pre-need code. Pursuant to Section 34 of the pre-need code provides that the Commission is authorized to adjust the percentage allocation per category set forth therein not in excess of two percentage (2%) points upward or downward and no oftener than once every five (5) years.

In order to maximize the gains on higher yield investment for the trust fund, the upward adjustment of two percent (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate subject to rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC Circular Letter No. 2019-06
On March 15, 2019, the IC issued Circular Letter 2019-06 providing Regulatory Relief for the Pre-need Industry to monitor and assess the overall impact of the regulatory relief provided for under IC Circular Letter No. 2018-58 to pre-need companies for the year 2018 and to further improve the regulations for pre-need companies.

The circular provides that all pre-need companies authorized to transact business in the Philippines shall submit the following quantitative impact assessment reports following the prescribed format:

a. with and without regulatory relief statement of financial position as of December 31, 2018 of the pre-need company;
b. with and without regulatory relief comparative statement of financial position as of December 31, 2018; and
c. with and without regulatory relief comparative reserve valuation report as of December 31, 2018.

All reports shall be duly certified and signed by the accountant and IC-accredited actuary together with the Chief Financial Officer (CFO) or its equivalent. The above reports form an integral part of the Annual Statement. The Company submitted to the IC the above-mentioned reports on May 30, 2019.

IC Circular Letter No. 2022-25
On May 19, 2022, the IC issued Circular Letter 2022-25 relating to the additional two percent (2%) upward adjustment on the investment threshold allocation under the pre-need code. In order to provide flexibility and to maximize the gains on higher yield investments of the trust fund, the additional upward adjustments of two percentage (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate subject to the rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC Circular Letter No. 2022-37
On July 18, 2022, the IC issued Circular Letter 2022-37 relating to the amended guidelines on allowable investments for pre-need trust fund. The circular letter mentioned the allowable investments includes the following:

i. Investment listed in Section 34 of the Code; and
ii. Other allowable investments under section 2 of the circular letter

The circular provides the following additional investments allowed as Other Allowable Investments and shall be equal to the residual allocation as computed in Section 4 of the circular:

i. Other equity Securities – equity securities not included in Section 34 of the Code, provided, however that the issuer is listed in the Philippine Stock Exchange and shall have a minimum credit rating of Baa by Philratings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the Securities and Exchange Commission (SEC) or its international counterpart.
ii. Real Estate Investments Trust and Exchange Traded Funds – Philippine Stock Exchange (PSE) listed Real Estate Investment Trust (REIT) and Exchange Traded Funds (ETF) approved by their respective regulatory agencies.
iii. Mutual Funds and Unit Investment Trust Funds – Mutual Funds duly registered with SEC and local Unit Investment Trust Fund (UITF) approved by the Bangko Sentral ng Pilipinas (BSP), provided, however, that the underlying securities are all PHP-denominated
iv. Other debt securities – Debt Securities not included under Section 34 of the Code, provided, however, that the issuer or the issue obtained a minimum credit rating of Baa by Philratings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the Securities and Exchange Commission (SEC) or its international counterpart.

Investment listed in Section 34 of the Code and Section 2.1 of the circular that do not meet the minimum prescribed conditions shall be allowed as investments in the Trust Fund, provided, that the total amount should not exceed five percent (5%) of the trust fund at acquisition cost after the consideration of limitations in Section 34 of the Code and Section 4 of this CL. Additionally, amounts in excess of the limitations set under Section 34 of the Code and Section 4 of this CL shall not qualify as Other Allowed Assets in trust fund.

Other allowable investment under Section 2.1 do not require prior approval from the IC. Assets listed or classified under Section 2 of this CL may be changed or amended by the IC in response to changes in the domestic and global market conditions

The circular also provides the treatment of existing service assets of pre-need companies. Service assets, as reference to previous CL No. 08-2012, if any, recorded and recognized by the IC in the

Trust Funds of pre-need companies, shall still be recognized as part of the Trust Funds for purposes of determining the Trust Fund sufficiency. Companies shall liquidate the balances of Service Assets for a period of three (3) years from the effectivity of the CL. Proceeds from the sale or liquidation of Service Assets shall be deposited directly to their respective Trust Funds. A pre-need company is allowed to declare dividends, provided that the following conditions are met:

a. That the pre-need company shall comply with the requirements of dividends payments of the IC; and
b. That the pre-need company has liquidated the Service Assets within three (3) years. Otherwise, the maximum allowed to be declared and paid shall only be equal to the amount of Service Asset liquidated.

The circular also provides the limitations/concentration and ither conditions for recognition of investments. Investments listed under Section 34 (a) to (c) shall comply with the limits conditions, and requirements set forth under Section 34 of the Code.

The basis of the computation for the limits of the instruments or investments shall be the acquisition cost of investments under Section 34 (a) to (c) and Other Allowable Investments under Section 2 of this CL. The value of the Service Assets referred to under Section 3 of this CL shall not be included in the computation of the limitations.

Other allowable investments shall be subject to the following limits:

i. The percentage of limit for Other Allowable Investments shall be the residual of the sum of the following less 100%:
    a. Sum of the actual allocation for government securities; and
    b. Sum of the actual allocations on investments under Section 34 (a) to (c) of the Code, subject to the maximum limits of the Code and any other pertinent circular letter issued.
ii. No deposits or investments in any single entity allocated to Other Allowable INvetsments shall exceed fifteen percent (15%) of the total value of the trust fund.

Limits on investments under Section 34 (a) to (c) of Code will be adjusted, subject to the provision provided under the last paragraph of Section 34 of the Code.

4. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

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

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:
    - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
    - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
    - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
    - A specific adaptation for contracts with direct participation features (the variable fee approach)
    - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. Summary of Significant Accounting Policies

Foreign Currency Transactions and Translation

The functional and presentation currency of the Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to items where gains or losses are recognized directly in other comprehensive income.

Product Classification

For purposes of complying with the provisions of PFRS 4, the Company classifies its life plans as insurance contracts. Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholder.

As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

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

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

As provided under SEC Interpretative Bulletin No. 1, Series of 2008, the reserves for life plans shall be included in the PNR account in the statement of financial position.

Fair value measurement
The fair value for financial instruments traded in active market at the reporting date 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 (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The Company measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Company uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

For nonfinancial assets, the Company measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 27, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Financial Instruments (including those in the investments in trust funds and insurance premium fund)
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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

Classification and Measurement of Financial Assets
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

Contractual cash flows characteristics
As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and

- the expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress-case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly-originated or newly-purchased financial assets going forward.

The Company's measurement categories are described below:

Investment Securities at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

As of December 31, 2022 and 2021, the Company's investment securities at amortized cost are presented in the statement of financial position, including those included in the 'Investments in trust funds' and 'Insurance premium fund', as 'Cash and cash equivalents', Short-term investments, 'Investment securities at amortized cost' and 'Loans and receivables (except advances to suppliers)'.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Company has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL.

Equity investments are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL and gains or losses arising from disposals of these instruments are included under 'Trust fund income' account in the statements of income.

Dividend income is reported in statements of income under 'Trust fund income' account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gains (losses) on financial assets at FVOCI' in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on financial assets at FVOCI account is not reclassified to profit or loss, but is reclassified directly to 'Retained earnings' account or other appropriate equity account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Trust fund income' account.

As of December 31, 2022 and 2021, the Company has no equity securities designated as at FVOCI.

Financial Assets at FVOCI - Debt Investments
The Company applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized under 'Trust fund income' account in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

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

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Reclassifications of financial instruments
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
  - the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
  - the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred

nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

<u>Impairment of Financial Assets</u>
The Company records the allowance for expected credit losses (ECL) for all loans and receivables and other debt financial assets not held at FVTPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) past due up to 30 days; (ii) no significant increase in the probability of default. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. A SICR is generally deemed present in accounts with: (i) more than 30 days up to 90 days past due, or (ii) with significant increase in PD. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or portfolio of loans. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of 'default'
The Company classifies a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Significant increase in credit risk
To determine whether there has been a significant increase in credit risk in the financial assets, the Company compares credit risk at initial reporting date against credit risk as at the reporting date. The Company uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL.

The Company assumes that instruments with an external rating of 'investment grade' from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For financial assets with a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Company also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has no other reasonable expectation of recovering the contractual cash flow.

Prepayments
Prepaid expenses pertain to resources controlled by the Company as a result of past events and from which future economic benefits are expected to flow to the Company. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Prepaid Consultancy Fee
Prepaid consultancy fee is initially recognized by the Company at contract price, including additional taxes related to the agreement. Subsequently, the amount is amortized over the term of the agreement.

Creditable Withholding Taxes (CWT)
Creditable withholding taxes pertain to the taxes paid by the Company withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under 'Other assets' account. At each end of the tax reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under 'Loans and receivables' account. At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Input value-added tax (VAT)
This pertains to the 12% indirect tax paid by the Company in the course of its trade or business on local purchase of goods and services.

Investment Property (including those held in trust funds and insurance premium fund)
Property held for long-term rental yields or for capital appreciation or for both, is classified as investment property. These properties are initially measured at cost, which includes transaction costs, but excludes day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Investment properties are stated at fair value, which reflects the prevailing market conditions at the statement of income date. Gains or losses resulting from changes in the fair values of investment properties from those held in trust funds and insurance premium fund are recognized in the statement of income under 'Trust fund income' and 'Interest and other income', respectively, in the period in which they arise.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in statement of income in the year of derecognition.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and accumulated impairment in value, if any.

The initial cost of an item of property and equipment comprises its purchase price and/or development cost, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to statement of income during the period in which these are incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful life (EUL) of the individual significant components of property and equipment, or the term of the lease, whichever is shorter, for leasehold improvements, as follows:

	Years
Office condominium	20
Transportation equipment	3-5
Furniture, fixtures and equipment	3-5
Leasehold improvements	3-5
System software	3
Right-of-use asset	1-5

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the residual values, period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

The Company classifies right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment. Refer to the accounting policies section in impairment of nonfinancial assets. In 2020, the Company terminated all existing lease contract as lessee and closed all the branches nationwide last June 5, 2020.

Service assets - memorial lots (including those held in trust funds and investment in trust fund managed by LandBank)
Service assets - memorial lots are memorial lots to be sold and bundled with life and pension products with the intention of reducing its liabilities in the future when the benefits are claimed.

Based on the IC letter dated November 6, 2015, service assets - memorial lots bundled with life and pension products constitute neither equity nor debt securities. The cost of memorial lots is initially valued at acquisition cost at the time of purchase. Subsequently, the same is valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by Bangko Sentral ng Pilipinas (BSP) and/or SEC. Any cost incurred in the execution of the funeral service packaged with a memorial lot shall be determined and recognized in the books of the trust fund. However, for its service assets - memorial lots sold on an installment basis, these lots should be measured subsequently at the contract price agreed upon execution of the deed of sale.

The fair value changes are reflected under 'Increase (decrease) in fair value of service assets - memorial lots' account and 'Trust fund income' account in the statements of income for service assets outside trust fund and for service assets held under trust funds, respectively.

Inventories - memorial lots
Inventories are initially measured at acquisition cost at the time of transfer and are available for individual/retail sale. They are subsequently valued at lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution. Cost is determined using the weighted average cost formula method.

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

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

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

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Company's investment in subsidiary, and property and equipment.

At each end of the reporting period, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit (CGU)'s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does

not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.
Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Accrued Expenses and Other Liabilities
Accrued expenses and other liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Contract Liabilities
Contract liabilities are obligations to transfer goods or services to a customer from which the Company has received consideration. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

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

Company as a lessor
Finance leases, where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Interest and other income' in the statement of income.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

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

Refer to the accounting policy for property and equipment for the recognition and subsequent measurement of right-of-use assets.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are presented under 'Accrued expenses and other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as rent expense under 'General and administrative expense' on a straight-line basis over the lease term.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pre-Need Reserves for Education and Pension Plans
PNR for education and pension plans are calculated on the basis of the methodology and assumptions set out in the Amended Pre-need Rule 31, as follows:

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

  On Currently-Being-Paid Plans

  i. Provision for termination values applying the inactivity and surrender rate experience of the Company; and
  ii. For the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company, the liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the approved hurdle rate per Product Model of the Company.

  On Lapsed Plans within the Allowable Reinstatement Period

  i. Provision for termination values applying the reinstatement experience of the Company.

  On Fully Paid Plans

  i. For those due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the attainable rate, as determined and certified by the Company's trustee using industry best practices and principles which shall be indicated in such certification; and
  ii. For those not yet due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of the Company.

- The lapse and surrender rate assumptions are based on the Company's experience validated through the periodic studies from 2010 to 2012. The reinstatement rate assumptions are based on the Company's experience validated through the periodic studies from 2004 to 2007.

  The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.

- Based on Company's experience, the probability of pre-termination or surrender of fully paid plans ranged from 7.00% to 13.00% in 2016 until 2020 and therefore considered significant for some products. The derecognition of liability shall be recorded at pre-termination date.

In 2022 and 2021, the Company used 5.75% as discount rate for all approved plans.

The above rates followed the IC Circular Letter 23-2012 which sets the guidelines for the discount rate to be used in the valuation of PNR as disclosed in Note 3.

PNR for Life Plans
PNR for life plans are computed using the net level premium reserving method based on a prospective approach, and is in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines.

The actuarial assumptions used in the valuation of reserves (e.g., interest rate, inflation rate, withdrawal rate, availment rate and other pertinent assumptions) are based on the provisions of SEC Circular No. 6 and subsequent SEC memos on its implementation. In valuing PNR, the Company used a discount rate of 5.75% for all approved plans in 2022 and 2021.

The Company uses lapsation and surrender rates which are based on its actual experience validated through the periodic studies from 2010 to 2012. For fully paid plans, the Company uses surrender decrement rates based on experience, as allowed by the IC.

Insurance Premium Reserves
For insurance benefits purchased by the Company, IPR (which represents the cost of purchasing such benefits after the installment payment period) are also set up as additional liabilities of the Company. The total additional liabilities relating to IPR after the installment payment period is included in the 'Other reserves' account in the statement of financial position.

Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Equity</u>
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Retained earnings represents the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, and other capital adjustment, net of any dividend declaration.

Unrestricted retained earnings represent that portion which is free and can be declared as dividends to stockholders.

Restricted retained earnings represent that portion which has been restricted and, therefore, is not available for any dividend declaration. This includes accumulated trust fund income restricted to payments of benefits to plan holders and such related payments as allowed under the Pre-need Rules. Reversal of appropriation pertains to benefit payments to plan holders during the year.

The other comprehensive income recorded under equity in the statement of financial position includes:

- Unrealized gains (losses) on financial assets at FVOCI – comprise of cumulative changes in fair value of financial assets at FVOCI
- Remeasurement gains (losses) on defined benefit plan - pertain to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets

<u>Revenue Recognition</u>
Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model follows:

a. Identify the contract(s) with customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation
e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized within the scope of PFRS 15:

Sale of memorial lots
Revenue is recognized at a point when control of the memorial lots has been transferred to the buyer, which is generally upon transfer of legal title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of a certificate of title.

Advance payment from customers upon which control over the memorial lots has not been transferred by the Company is initially recognized as contract liabilities under ‘Accrued expenses and other liabilities’ in the statement of financial position. These are subsequently derecognized when control is transferred to the customer.

Service fee, loading income, surcharge and amendment fees
Planholders are charged for plan administration services, surrenders and other contract fees. These fees and charges are recognized as revenue in the period in which the related services are performed.

Miscellaneous income
Miscellaneous income is recognized in the statement of income when earned.

The following are revenue streams of the Company, which are covered by accounting standards other than PFRS 15:

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

Trust fund income
Income generated by the trust funds is included in the 'Investments in trust funds' account under the assets section of the statement of financial position and credited to trust fund income. This income is restricted to payments as enumerated in Note 10. This includes the following accounts:

- *Dividend income*
  The Company recognizes dividend income when the Company's right to receive payment is established.

- *Trading and investment securities gains - net*
  The Company recognizes net trading and investment securities gains arising from the results of trading activities, all gains and losses from changes in fair value of financial assets at FVTPL, and gains and losses from disposal of debt securities at FVOCI.
- *Rental income*
  The Company accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases.

- *Fair value gain on investment properties and service assets - memorial lots*
  This pertains to changes in fair value of investment properties and service assets - memorial lots held in trust funds.

Income from service assets - memorial lots
This includes income from sale and changes in fair value of service assets - memorial lots not held in trust funds.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Costs of Contracts Issued
Changes in PNR (including trust fund contributions) and other reserves are recognized as expense during the year. Documentary stamp taxes and SEC registration fees are expensed as incurred.

Plan Benefits Expense
Plan benefits expense pertains to benefits availed of by the planholders/beneficiaries that include memorial services on life plans, maturities and termination benefits, except benefits paid from insurance coverage. Plan benefits expense is recognized upon maturity of the related plan.

Commissions
Commissions are due and payable whenever there are collections on pre-need plans that are credited to premium income. These are paid only to licensed active agents of the Company.

Rates of commission vary depending on the product sold and mode of payment, in accordance with the product design as approved by IC.

Cost of sale of memorial lots
Cost of sale of memorial lots is recognized in the statement of income in the year these are incurred.

General and Administrative Expenses
General and administrative expenses constitute costs of administering the business and are recognized as expenses when incurred.

Income Tax
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities are charged or credited to income for the year.

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

Contingencies

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

Events after the Reporting Date

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the end of the reporting period. Events that are indicative of condition that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

6. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in accordance with Philippine GAAP for pre-need companies requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates are reflected in the financial statements as they become reasonably determinable.

Although judgments, estimates and assumptions 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, the actual outcome may differ from these estimates, possibly significantly in future periods when changes occur.

Judgments

(a) Going concern assessment

The management of the Company has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

(b) *Product classification*
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company has determined that the life plans it issues have significant insurance risk and therefore meets the definition of an insurance contract.

(c) *Evaluation of business model in managing financial instruments*
The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Company's Board of Directors (BOD) approved its documentation of business models which contains broad categories of business models. The Company's classification of financial assets now consists of amortized cost, FVOCI and FVTPL.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(d) *Revenue recognition*
The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. With respect to the sale of service assets - memorial lots, the Company determined that that there is one performance obligation in each of these contracts.

The Company has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Company has concluded that contracts relating to the sale of service assets - memorial lots are recognized at a point in time when control transfers. Control is generally expected to transfer to the customer together with the certificate of title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of certificate of title.

Estimates

(a) Pre-need Reserves (PNR) and Other Benefit Reserves (OBR)

PNR is set up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts. The Company is guided by the Amended Pre-Need Rule 31 and IC Circular Letter 23-2012 in the calculation of the PNR for education and pension plans, and by SEC Circular No. 6 and subsequent SEC memoranda in the calculation of the PNR for life plans.

As of December 31, 2022 and 2021, based on the actuarial valuation report, the principal assumptions used in determining the PNR of the Company are shown below. Starting 2013, the Company used the prospective method in determining the PNR in accordance with IC Circular Letter 23-2012.

As of December 31, 2022 and 2021, the Company has used 5.75% as discount rate in valuing the PNR for plans.

PNR for life plans was set up for the memorial services and cash benefits guaranteed and payable by the pre-need company as defined in the life plan contracts. The Company is guided by existing SEC and IC regulatory rules/circulars and generally accepted actuarial principles in the calculation of the PNR. It uses assumptions based on Company experience. These actuarial assumptions include interest rate, surrender and lapse rate, reinstatement rate, expected number of deaths and other assumptions necessary to estimate the PNR. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. These estimates are based on claims data based on Company experience.

As of December 31, 2022 and 2021, the carrying value of PNR for education, pension and life plan contracts amounted to ₱3,791,971,059, ₱6,646,203,081 and ₱3,292,160,474, and ₱5,161,074,962, ₱7,845,757,718 and ₱3,070,667,939 respectively (see Note 17).

2022

- **Education Plans**

	PNR using Attainable Interest Rate	
Type of Pre-Need Product	**Rate (%)**	**Amount**
Education plan (Repriced Gold)	**5.75%**	**₱2,045,783,124**
Education plan (Summa)	**5.75%**	**635,329,680**
Education plan (Prodigy)	**5.75%**	**394,435,871**
Education plan (Premiere & Pangako)	**5.75%**	**336,683,406**
Education plan (New Gold)	**5.75%**	**236,743,967**
Education plan (Gold)	**5.75%**	**112,149,210**
Education plan (STI)	**5.75%**	**19,302,711**
Education plan (Magna)	**5.75%**	**11,543,090**
		₱3,791,971,059

- **Pension Plans**

Type of Pre-Need Product	PNR using Attainable Interest Rate Rate (%)	Amount
Pension plan (Nova Products)	5.75%	₱2,415,224,096
Pension plan (Future Fund Variants)	5.75%	1,125,442,267
Pension plan (Repriced Future Fund Variants)	5.75%	589,514,265
Pension plan (Participating Plans)	5.75%	555,642,068
Pension plan (Kaban Products)	5.75%	476,979,170
Pension plan (Builder Products)	5.75%	444,283,287
Pension plan (Mega Products)	5.75%	312,159,585
Pension plan (Futura)	5.75%	163,545,592
Pension plan (Comprehensive-EPP)	5.75%	128,364,974
Pension plan (Comprehensive)	5.75%	104,883,126
Pension plan (Alkansya Products)	5.75%	101,169,253
Pension plan (Pitaka Products)	5.75%	98,178,114
Pension plan (Pangarap/Plus)	5.75%	71,212,054
Pension plan (Booster Products)	5.75%	26,413,582
Pension plan (I/Plan Products)	5.75%	16,893,523
Pension plan (Surehealth Products)	5.75%	7,321,464
Pension plan (Standard-EPP)	5.75%	5,093,791
Pension plan (Standard)	5.75%	3,882,870
		₱6,646,203,081

- **Life Plan**

Type of Pre-Need Product	PNR using Attainable Interest Rate Rate (%)	Amount
Life plan (Ultima)	5.75%	₱1,228,133,592
Life plan (Classic Memorial)	5.75%	962,743,618
Life plan (Payapa)	5.75%	242,491,045
Life plan (Virtue)	5.75%	211,417,624
Life plan (Heritage)	5.75%	183,125,012
Life plan (Panatag)	5.75%	126,736,444
Life plan (Interment)	5.75%	120,263,263
Life plan (Pamana)	5.75%	87,170,290
Life plan (Serenity)	5.75%	31,652,438
Life plan (Inheritage (50/100)	5.75%	27,804,652
Life plan (Dignity)	5.75%	25,422,543
Life plan (MAP)	5.75%	25,270,708
Life plan (Nacional)	5.75%	17,494,080
Life plan (Parangal)	5.75%	2,435,165
		₱ 3,292,160,474

2021

- Education Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Education plan (Repriced Gold)	5.75%	₱3,188,023,570
Education plan (Summa)	5.75%	584,022,891
Education plan (Prodigy)	5.75%	410,804,204
Education plan (Premiere & Pangako)	5.75%	365,659,639
Education plan (Gold)	5.75%	325,576,950
Education plan (New Gold)	5.75%	255,548,894
Education plan (STI)	5.75%	18,977,436
Education plan (Magna)	5.75%	12,461,378
		₱5,161,074,962

- Pension Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Pension plan (Nova Products)	5.75%	₱2,374,875,297
Pension plan (Future Fund Variants)	5.75%	1,535,053,663
Pension plan (Repriced Future Fund Variants)	5.75%	872,766,591
Pension plan (Builder Products)	5.75%	607,366,293
Pension plan (Participating Plans)	5.75%	600,762,155
Pension plan (Comprehensive)	5.75%	448,247,268
Pension plan (Kaban Products)	5.75%	396,097,436
Pension plan (Mega Products)	5.75%	334,824,086
Pension plan (Comprehensive-EPP)	5.75%	145,274,339
Pension plan (Futura)	5.75%	121,645,658
Pension plan (Pitaka Products)	5.75%	119,908,302
Pension plan (Alkansya Products)	5.75%	92,920,680
Pension plan (Pangarap/Plus)	5.75%	79,561,163
Pension plan (Booster Products)	5.75%	73,685,671
Pension plan (I/Plan Products)	5.75%	16,521,743
Pension plan (Standard)	5.75%	14,278,265
Pension plan (Surehealth Products)	5.75%	7,062,432
Pension plan (Standard-EPP)	5.75%	4,906,676
		₱7,845,757,718

- Life Plan

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Life plan (Ultima)	5.75%	₱1,190,185,360
Life plan (Classic Memorial)	5.75%	948,726,471
Life plan (Payapa)	5.75%	217,870,472
Life plan (Virtue)	5.75%	205,791,811
Life plan (Panatag)	5.75%	124,096,784
Life plan (Heritage)	5.75%	101,375,946
Life plan (Pamana)	5.75%	79,646,760
Life plan (Interment)	5.75%	63,894,163
Life plan (Inheritage (50/100)	5.75%	48,779,482
Life plan (Serenity)	5.75%	30,337,153
Life plan (Dignity)	5.75%	25,502,545
Life plan (MAP)	5.75%	21,206,640
Life plan (Nacional)	5.75%	10,852,834
Life plan (Parangal)	5.75%	2,401,518
		₱3,070,667,939

- Lapse and Surrender Rates
The lapse rate assumptions are based on the Company's monitoring of withdrawals over 2011 to 2020 and are predicated on management's assessment on the effect of the COVID-19 pandemic. For surrender rates during paying period, the actively paying population is mostly comprised of products with QPU features, hence 100% surrender assumption on those who lapse was used. The surrender rate assumptions after paying period are based on the Company's updated experience study which used data from 2018 to 2020 and are predicated on the success of their Liability Management Program (LMP). Although there was an increase in the recent period of the study, the Company used 6% for Education and Pension and 5% for Life/Memorial, as the period 2020 – 2021 is regarded as a short term-phenomenon arising from the effects of the pandemic.

The reinstatement rate assumptions are based on the Company's experience validated through periodic studies from 2004 to 2007. Lapse and surrender rates vary by product, depending on product design and features such as premium-payment period and pre-termination benefits. In general, lapse rates are highest during the first year and decrease as the plans become paid-up. Where the probability of pre-termination of fully-paid plans was below 5.00%, no pre-termination rate was considered in determining the PNR. The derecognition of liability shall be recorded at pre-termination date.

The lapse, surrender and reinstatement rates used by the Company in 2022 and 2021 are shown below:

a. Lapse rates

Life, Pension and Education

2022

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**0.00%**	**0.60%**	**0.60%**	**10.00%**	**5.38%**	**8.76%**
2	**-**	**0.60%**	**0.60%**	**6.20%**	**4.52%**	**7.82%**
3	**-**	**-**	**0.60%**	**3.85%**	**3.80%**	**6.97%**
4	**-**	**-**	**-**	**2.38%**	**3.20%**	**6.19%**
5	**-**	**-**	**-**	**1.48%**	**2.69%**	**5.50%**
6	**-**	**-**	**-**	**-**	**2.26%**	**4.88%**
7	**-**	**-**	**-**	**-**	**1.90%**	**4.34%**
8	**-**	**-**	**-**	**-**	**-**	**3.89%**
9	**-**	**-**	**-**	**-**	**-**	**3.51%**
10	**-**	**-**	**-**	**-**	**-**	**3.22%**

2021

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	0.00%	0.60%	0.60%	10.00%	5.38%	8.76%
2	–	0.60%	0.60%	6.20%	4.52%	7.82%
3	–	–	0.60%	3.85%	3.80%	6.97%
4	–	–	–	2.38%	3.20%	6.19%
5	–	–	–	1.48%	2.69%	5.50%
6	–	–	–	–	2.26%	4.88%
7	–	–	–	–	1.90%	4.34%
8	–	–	–	–	–	3.89%
9	–	–	–	–	–	3.51%
10	–	–	–	–	–	3.22%

b. Surrender rates

Life, Pension and Education

2022

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	100%	100%	100%	100%	100%	100%
2		100%	100%	100%	100%	100%
3			100%	100%	100%	100%
4				100%	100%	100%
5				100%	100%	100%
6					100%	100%
7					100%	100%
8						100%
9						100%
10						100%

2021

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	–	100.00%	100.00%	100.00%	100.00%	100.00%
3	–	–	100.00%	100.00%	100.00%	100.00%
4	–	–	–	100.00%	100.00%	100.00%
5	–	–	–	100.00%	100.00%	100.00%
6	–	–	–	–	100.00%	100.00%
7	–	–	–	–	100.00%	100.00%
8	–	–	–	–	–	100.00%
9	–	–	–	–	–	100.00%
10	–	–	–	–	–	100.00%

c. Reinstatement rates

Life, Pension and Education: 10.00% for 2022 and 10% for 2021

(b) Sensitivity of PNR
The key assumptions, to which the estimation of PNR is compared, are shown below. Any fluctuation on the assumption should be validated and observed before application in the computation of PNR:

- Interest Rates
Estimates are made as to future investment income arising from the assets that back up pre-need contracts. These estimates are based on current market returns, expectations about future economic and financial developments, and the Company's investment strategies.

2022

	Change in Assumptions	**Increase in Liabilities**	**Decrease in Income Before Tax**
Valuation interest rates	**5.50%**	**₱242,451,576**	**(₱ 242,451,576)**
	5.00%	**588,383,209**	**(588,383,209)**
	4.00%	**1,328,195,463**	**(1,328,196,463)**
	3.00%	**2,203,358,094**	**(2,203,358,094)**

2021

	Change in Assumptions	Increase in Liabilities	Decrease in Income Before Tax
Valuation interest rates	5.00%	₱503,563,902	(₱503,563,902)
	4.00%	1,240,674,400	(1,240,674,400)
	3.00%	2,124,782,474	(2,124,782,474)
	2.00%	3,161,150,798	(3,161,150,798)

Lapse and Surrender Rates

Lapses relate to the termination of policies due to nonpayment of premiums. Surrenders relate to the voluntary termination of policies by planholders. Plan termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

2022

	Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease)in Income Before Tax**
Lapsation and surrender rates	**+10%**	**(₱33,044,994)**	**₱33,044,994**
	-10%	**33,245,695**	**(33,245,695)**

2021

	Change in Assumptions	Increase (Decrease) in Liabilities	Increase (Decrease)in Income Before Tax
Lapsation and surrender rates	+ 10%	(₱46,896,950)	₱46,896,950
	-10%	47,181,782	(47,181,782)

(c) *Insurance premium reserve*
The Company purchases group insurance benefits from an insurance company. Since pre-need plans are limited pay where insurance coverage may be provided even after the premium payment period, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the instalment paying period. Thus, the Company sets aside IPR to pay for insurance premiums due after the paying period. The IPR is the present value of all such insurance premiums payable to the insurance company. The calculation uses the same actuarial assumptions and considers the portion of future instalments allotted for insurance expenses.

IPR included in the 'Other reserves' account in the statement of financial position amounted to ₱203,152,528 and ₱226,723,715 as of December 31, 2022 and 2021, respectively (see Note 18).

(d) *Fair value of service assets - memorial lots*
The service assets - memorial lots are valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by the SEC and valued using market data approach.

With this approach, the value of the service assets - memorial lots is based on sales and listings of comparable memorial lots registered in the vicinity. The technique of this approach requires the establishment of comparable memorial lots by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject memorial lots and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use. It is possible that future results of operations could be affected by changes in these estimates brought about by the changes in the factors mentioned.

As of December 31, 2022 and 2021, the fair market value of service assets - memorial lots follows:

	2022	2021
Service assets - memorial lots		
Held in trust funds (Note 10)	**₱4,690,142,656**	₱2,986,565,061
Not held in trust funds		
Corporate (Note 13)	**4,663,747,394**	4,280,495,146
Investment in trust fund managed by LandBank (Note 10)	**–**	1,627,069,967

(e) Fair values of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the Company's statement of income. The Company engaged independent appraisers accredited by the SEC to determine fair value using income and market data approach.

With income approach, an indication of value is derived for income producing property by converting anticipated future benefits into current property value. With market data approach, the value of investment properties consider the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

As of December 31, 2022 and 2021, the fair market values of investment properties follow:

	2022	2021
Investment properties		
Held in trust funds (Note 10)	**₱1,025,529,000**	₱1,025,529,000
Held under insurance premium fund (Note 11)	**41,851,000**	40,629,000

(f) Fair values of financial assets

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

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

As of December 31, 2022 and 2021, the carrying amounts of financial assets measured at fair value follows:

	2022	2021
Financial assets		
Held in trust funds (Note 10)	**₱10,944,164,870**	**₱14,796,720,380**
Held under insurance premium fund (Note 11)	**44,715,055**	**31,973,638**
Not held in trust funds (Note 8)	**106,667,032**	**109,452,340**

(g) *Expected credit losses on financial assets*
The Company reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income.

In particular, judgments and estimates by management are required in determining the following:
- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Company's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Company's expected credit loss models

The carrying values of and allowance for expected credit losses on accounts not held in trust funds relating to cash and cash equivalents (excluding cash on hand), investments, investment securities at amortized cost and loans and receivables of the Company as of December 31, 2022 and 2021 are disclosed in Notes 7 and 8.

(h) *Recognition of deferred tax assets*
Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused tax losses and/or tax credits. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

The details of the temporary differences with unrecognized deferred tax assets and recognized deferred tax assets and liabilities are disclosed in Note 26.

(i) *Pension and other employee benefits*
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension asset amounted to ₱15,265,462 and ₱14,027,582 as of December 31, 2022 and 2021, respectively (see Note 19).

(j) Contingencies
The Company is currently involved in legal proceedings and other claims from third parties. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel.

The Company does not believe that these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates (see Note 31).

7. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents

This account consists of:

	2022	2021
Revolving funds	**₱15,000**	₱15,000
Cash in banks	**191,737,946**	147,596,291
Cash equivalents	**526,495,049**	355,036,683
	718,247,995	502,647,974
Less allowance for credit losses	**421,464**	370,050
Total	**₱717,826,531**	₱502,277,924

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term rates that ranged from 4.00% to 4.75% and 1.00% to 1.50% in 2022 and 2021, respectively.

Interest income earned on cash and cash equivalents amounted to ₱982,503 and ₱1,014,819 in 2022 and 2021, respectively (see Note 22).

In 2022 and 2021, cash and cash equivalents were carried at Stage 1 and there were no transfers into and out of Stage 1.

Short-term investments

Short-term investments earn interest at the prevailing market rates with maturities of more than three months to one year from dates of acquisition. The Company has no outstanding short-term investments as of December 31, 2022 and 2021.

Interest income earned on short-term investments amounted to ₱10,243,093 and ₱8,826,260 in 2022 and 2021, respectively (see Note 22).

8. **Financial Assets**

The Company's financial assets are summarized by measurement categories as follows:

	2022	2021
Financial assets at FVTPL	**₱106,667,032**	₱109,452,340
Loans and receivables - net	**104,455,139**	169,999,242
	₱211,122,171	₱279,451,582

The assets included in each of the categories above are detailed below:

a) Financial assets at FVTPL

	2022	2021
Investments in mutual funds	**₱106,485,487**	₱109,185,976
Equity securities	**181,545**	266,364
	₱106,667,032	₱109,452,340

The rollforward of financial assets at FVTPL not held in trust funds follows:

	2022	2021
Balance at January 1	**₱109,452,340**	₱132,424,464
Fair value losses (Note 22)	**(2,785,308)**	(279,154)
Transfer to insurance premium fund (Note 11)	–	(22,692,970)
Balance at December 31	**₱106,667,032**	₱109,452,340

b) Loans and receivables –net

	2022	2021
Cash facility loans	**₱31,014,182**	₱70,225,994
Due from related parties (Note 28)	**28,979,314**	58,254,603
Receivable from credit card companies	**18,375,757**	15,635,124
Receivable from trustee bank	**12,587,546**	7,406,761
Advances to officers and employees	**5,266,987**	4,589,240
Advances to agents and others	**4,108,451**	4,044,336
Advances to suppliers	**1,834,812**	–
Other receivables	**6,684,376**	26,554,162
	108,851,425	186,710,220
Less allowance for expected credit losses (Note 6)	**4,396,286**	16,710,978
	₱104,455,139	₱169,999,242

Cash facility loans consist mainly of interest-bearing loans; due in two (2) years or less, granted to planholders against the security of their respective accumulated pre-need plan credits. The interest on cash facility loans is 10.00% effective for December 31, 2022 and 2021.

Total processed and approved loan applications aggregated to 192 and 290 loans as of December 31, 2022 and 2021, respectively. The interest income from cash facility loans amounted to ₱1,659,682 and ₱4,564,986 in 2022 and 2021, respectively (see Note 22).

Advances to agents and others consist of receivable from agents arising from unremitted premium collections, advances of commissions, receivable from counselors and loans.

Advances to officers and employees pertain to interest-bearing salary loans and car loans, cash advances for various sales, marketing, operational, financial and administrative activities, and benefits being advanced by the Company.

Advances to suppliers are non-interest bearing transactions pertaining to payments made to regular contractors and suppliers for various renovations made by the Company.

Other receivables consist of receivable from mortuary and receivable from agent provident plan.

Allowance on credit losses on loans and receivables are all related to impaired accounts which are classified as Stage 3 of credit exposure. The rollforward analysis of allowance for impairment losses follows:

2022

	Advances to Agents	**Other Receivables**	**Total**
Balance at January 1	**₱4,044,335**	**₱12,666,643**	**₱16,710,978**
Provision during the year	**(64,116)**	**–**	**(64,116)**
Write-off	**–**	**(12,250,576)**	**(12,250,576)**
Balance at December 31	**₱3,980,219**	**₱416,067**	**₱4,396,286**

2021

	Advances to Agents	Other Receivables	Total
Balance at January 1	₱7,063,029	₱13,234,331	₱20,297,360
Recovery of credit losses during the year (Note 24)	(3,018,694)	–	(3,018,694)
Write-off	–	(567,688)	(567,688)
Balance at December 31	₱4,044,335	₱12,666,643	₱16,710,978

Allowance for expected credit losses for other receivables consists of allowance for 'Due from related parties', 'Advances to officers and employees and 'Other receivables'.

Provision for (recovery of) credit losses on financial assets in the statements of income are as follows:

	2022	2021
Cash and cash equivalents (Note 7)	**₱51,414**	(₱400,266)
Loans and receivable	**(64,116)**	(3,018,694)
Insurance Premium Fund (Note 11)	**(23,806)**	(2,181,576)
	(₱36,508)	(₱5,600,536)

9. Prepayments and Accrued Income

This account consists of:

	2022	2021
Prepaid expenses	**₱9,929,503**	₱5,857,470
Input tax	**2,453,176**	2,477,264
Interest receivable (Note 27)	**1,819,554**	1,351,224
Deposits (Note 27)	**852,909**	–
	₱15,055,142	₱9,685,958

Prepaid expenses pertain to advance payments made by the Company relative to supplies, rent and insurance.

Input tax refers to the excess VAT against output VAT for 2022 and 2021.

Deposits consist mainly of rental deposits to be refunded to the Company by the respective lessors at the end of the lease term.

Interest receivable pertains to interest accrued arising from short-term investments with interest rates ranging from 2.25% to 4.00% and long-term investment with interest rates ranging from 4.38% to 7.82% per annum.

10. Investments in Trust Funds and Investment in Trust Fund managed by LandBank

Mandatory Investments in Trust Funds

The Company has trust funds which are being administered by local banks under trust agreements for the fulfilment of the Company's obligations under the pre-need life, pension and education plan agreements.

In compliance with Chapter VIII, Section 30 of the Pre-need Code and in accordance with the terms of the trust agreements, no withdrawal shall be made from the trust funds except for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders; and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

To determine the sufficiency and adequacy of the fund, an annual pre-need reserve valuation report establishing the reserve requirement and contractual liabilities of the pre-need company shall be made and submitted to the IC, within 120 days from end of the calendar year.

Upon approval by the IC of the pre-need reserve computation, any deficiency in the trust funds, when compared to the reserve liabilities as reported in the pre-need reserve valuation report, shall be funded by the pre-need company within sixty (60) days from such approval.

The status of the investment in trust fund against the pre-need reserves and plan benefits payable per plan category follows:

December 31, 2022

	Life	Pension	Education	Total
Investments in trust funds	**₱4,008,494,088**	**₱8,943,827,466**	**₱5,671,085,207**	**₱18,623,406,761**
Less: 'Pre-need reserves' (Note 17)	**3,292,160,474**	**6,646,203,081**	**3,791,971,059**	**13,730,334,614**
Excess of investments in trust funds over pre-need reserve	**716,333,614**	**2,297,624,385**	**1,879,114,148**	**4,893,072,147**
Less: 'Benefits payable' (Note 16)	**338,070,798**	**2,194,395,900**	**1,761,487,860**	**4,293,954,558**
Subtotal	**378,262,816**	**103,228,485**	**117,626,288**	**599,117,589**
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines	–	–	**(127,394,999)**	**(127,394,999)**
Subtotal before breaches	**378,262,816**	**103,228,485**	**(9,768,711)**	**471,722,590**
Less 'Service Asset' excess limit under Section 34 of Pre-need Code of the Philippines	**–**	–	–	–
Single issuer limit - PSE	**–**	**254,584,521**	**188,960,746**	**443,545,267**
Single entity limit – Long term commercial papers	**–**	**1,941,163**	**–**	**1,941,163**
Excess of investments in trust funds over pre-need reserves and benefits payable *	**₱378,262,816**	**(₱153,297,199)**	**(₱198,729,457)**	**₱26,236,160**

*Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*

December 31, 2021

	Life	Pension	Education	Total
Investments in trust funds	₱3,981,365,631	₱10,515,404,822	₱7,323,372,013	₱21,820,142,466
Less: 'Pre-need reserves' (Note 17)	3,070,667,939	7,845,757,718	5,161,074,962	16,077,500,619
Excess of investments in trust funds over pre-need reserves	910,697,692	2,669,647,104	2,162,297,051	5,742,641,847
Less: 'Benefits payable' (Note 16)	422,020,618	3,042,581,596	2,280,542,611	5,745,144,825
Subtotal	488,677,074	(372,934,492)	(118,245,560)	(2,502,978)
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines	–	–	127,394,999	127,394,999
Subtotal before breaches	488,677,074	(372,934,492)	(245,640,559)	(129,897,977)
Less 'Service Asset' excess limit under Section 34 of Pre-need Code of the Philippines	–	–	908,761,873	908,761,873
Excess of investments in trust funds over pre-need reserves and benefits payable	₱488,677,074	(₱372,934,492)	(₱1,154,402,432)	(₱1,038,659,850)

** Calculated based on IC CL No. 08-2012, *Allowable Investments for Pre-Need Trust Funds*

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

	December 31, 2022			
	Life	**Pension**	**Education**	**Total**
Assets				
Cash and cash equivalents	**₱327,743,304**	**₱359,734,797**	**₱341,193,629**	**₱1,028,671,730**
Financial assets at FVTPL	**777,006,173**	**2,384,395,436**	**1,062,371,375**	**4,223,772,984**
Financial assets at FVOCI	**2,209,120,488**	**3,532,374,964**	**978,896,434**	**6,720,391,886**
Receivables	**25,205,384**	**106,982,463**	**1,696,963,400**	**1,829,151,247**
Accrued income	**50,033,487**	**193,847,569**	**32,771,841**	**276,652,897**
Service assets	**763,213,545**	**3,130,955,718**	**795,973,393**	**4,690,142,656**
Investment properties	–	–	**1,025,529,000**	**1,025,529,000**
	4,152,322,381	**9,708,290,947**	**5,933,699,072**	**19,794,312,400**
Less liabilities				
Accrued expenses and other liabilities	**2,738,752**	**135,824,211**	**11,013,137**	**149,576,100**
Deferred tax liability	**141,089,541**	**628,639,270**	**251,600,728**	**1,021,329,539**
	₱4,008,494,088	**₱8,943,827,466**	**₱5,671,085,207**	**₱18,623,406,761**
Net equity				
Fund balance				
Balance at January 1	**₱3,976,031,163**	**₱10,504,414,104**	**₱7,321,187,311**	**₱21,801,632,578**
Additional contributions	**239,292,321**	**1,028,437,864**	**563,694,306**	**1,831,424,491**
Withdrawals	**(196,167,445)**	**(2,336,220,897)**	**(2,160,008,139)**	**(4,692,396,481)**
	₱4,019,156,039	**₱9,196,631,071**	**₱5,724,873,478**	**₱18,940,660,588**

(Forward)

	December 31, 2022			
	Life	**Pension**	**Education**	**Total**
Net income (net of provision for income tax of ₱131,311,107 in 2022 and (Notes 21 and 26)	**₱124,259,616**	**(₱134,067,555)**	**(₱15,574,932)**	**(₱25,382,871)**
Balance at December 31	**₱4,143,415,655**	**₱9,062,563,516**	**5,709,298,546**	**18,915,277,717**
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	**₱5,334,468**	**₱10,990,718**	**₱2,184,702**	**₱18,509,888**
Transfer to profit or loss	**(30,033,319)**	**(115,287,613)**	**(58,383,798)**	**(203,704,730)**
Fair value gains	**(110,222,716)**	**(14,439,155)**	**17,985,757**	**(106,676,114)**
Expected credit losses	–	–	–	–
Balance at December 31	**(134,921,567)**	**(118,736,050)**	**(38,213,339)**	**(291,870,956)**
	₱4,008,494,088	**₱8,943,827,466**	**₱5,671,085,207**	**₱18,623,406,761**

	December 31, 2021			
	Life	**Pension**	**Education**	**Total**
Assets				
Cash and cash equivalents	₱171,640,507	₱888,603,733	₱640,869,516	₱1,701,113,756
Financial assets at FVTPL	970,073,220	3,130,900,863	1,958,301,452	6,059,275,535
Financial assets at FVOC	2,397,246,709	4,520,526,557	1,819,671,579	8,737,444,845
Receivables	16,042,104	50,012,616	–	66,054,720
Accrued income	25,334,687	37,613,614	17,609,958	80,558,259
Service assets	497,306,548	2,398,358,513	2,002,714,000	4,898,379,061
Investment properties	–	–	1,025,529,000	1,025,529,000
	4,077,643,775	11,026,015,896	7,464,695,505	22,568,355,176
Less liabilities				
Accrued expenses and other liabilities	20,401,358	53,911,631	20,605,418	94,918,407
Deferred tax liability	75,876,786	456,699,443	120,718,074	653,294,303
	₱3,981,365,631	₱10,515,404,822	₱7,323,372,013	₱21,820,142,466
Net equity				
Fund balance				
Balance at January 1	₱3,849,558,154	₱12,730,980,594	₱9,010,750,555	₱25,591,289,303
Additional contributions	128,323,261	372,694,036	642,908,811	1,143,926,108
Withdrawals	(158,911,323)	(3,327,100,079)	(3,064,987,839)	(6,550,999,241)
	3,818,970,092	9,776,574,551	6,588,671,527	20,184,216,170
Net income (net of provision for income tax of (₱812,045,553)) (Notes 21 and 26)	157,061,071	727,839,553	732,515,784	1,617,416,408
Balance at December 31	3,976,031,163	10,504,414,104	7,321,187,311	21,801,632,578
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	133,203,635	234,413,475	152,348,925	519,966,035
Transfer to profit or loss	1,929,691	(15,799,863)	24,057,716	10,187,544
Fair value gains	(129,795,089)	(207,326,690)	(174,901,047)	(512,022,826)
Expected credit losses	(3,769)	(296,204)	679,108	379,135
Balance at December 31	5,334,468	10,990,718	2,184,702	18,509,888
	₱3,981,365,631	₱10,515,404,822	₱7,323,372,013	₱21,820,142,466

Assets Held in Trust Funds

The assets included in each of the categories above are detailed below:

a) *Cash and cash equivalents*

The breakdown of the cash and equivalents follows:

	2022	2021
Savings deposit	**₱132,507,814**	₱700,315,628
Special savings deposit	**120,043,000**	244,560,000
Time deposit certificates	**323,074,071**	549,059,104
Demand deposit	**453,046,845**	207,179,024
	₱1,028,671,730	₱1,701,113,756

Cash and cash equivalents earn interest ranging from to 0.25% to 0.25% in 2022 and 0.13% to 0.13% in 2021, respectively.

Interest income earned on cash and cash equivalents amounted to ₱7,456,104 and ₱4,843,129 in December 31, 2022 and 2021, respectively (see Note 21).

b) *Financial assets*

The breakdown of financial assets follows:

Financial assets at FVTPL

	2022	2021
Equity securities - listed shares	**₱3,361,408,694**	₱5,111,865,736
Investments in mutual funds	**862,364,290**	923,584,522
Investments in UITF	–	23,825,277
	₱4,223,772,984	₱6,059,275,535

Dividend income from listed equity securities amounted to ₱127,170,902 and ₱116,231,683 in 2022 and 2021, respectively (see Note 21).

Financial assets at FVOCI

	2022	2021
Government securities	**₱5,879,575,783**	₱7,798,471,903
Private bonds	**753,511,671**	836,189,457
Commercial papers	**87,304,432**	102,783,485
	₱6,720,391,886	₱8,737,444,845

Interest income from debt securities classified as FVOCI amounted to ₱397,781,276 and ₱399,669,919 in 2022 and 2021, respectively (see Note 21).

Movements in 'Unrealized gains (losses) on financial assets at FVOCI' follow:

	2022	2021
Balance at January 1	**₱18,509,888**	₱519,966,035
Changes in fair value	**(106,676,114)**	(512,022,826)
Transfers to profit or loss	**(203,704,730)**	10,187,544
	(291,870,956)	18,130,753
Less allowance for (recovery of) expected credit losses	–	(379,135)
Balance at December 31	**(₱291,870,956)**	₱18,509,888

c) *Accrued income*

Accrued income pertains to interest accrued arising from cash and cash equivalents and debt securities with interest rates ranging from 1.25% to 11.25% in 2022 and 1.45% to 11.25% in 2021, respectively. The total accrued income amounted to ₱276,652,897 and ₱80,558,259 as of December 31, 2022 and 2021, respectively.

d) Service assets - memorial lots

In June 2015, the Company acquired 5,286 memorial lots from different assignors for a total consideration of ₱1,291,312,000. These memorial lots as evidenced by the Heritage Park investment certificates held by the trustee banks are intended for bundling with the life and pension plans of the Company.

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair market value through profit or loss.

Service assets-memorial lots sold on an installment basis are measured at the contract price agreed upon execution of the deed of sale.

As of December 31, 2022 and 2021, the fair value of these service assets - memorial lots amounted to ₱4,690,142,656 and ₱2,986,565,061 respectively, and the related deferred tax liability amounted to ₱915,167,040 and ₱547,131,804, respectively.

As of December 31, 2022 and 2021, receivables from corporate pertaining to the collections of fully paid service asset-memorial lots not yet remitted to trustee banks amounted to ₱134,787,847 and ₱66,054,720, respectively.

As of December 31, 2022 and 2021, the acquisition cost of these service assets - memorial lots amounted to ₱1,029,474,498 and ₱1,162,792,383, respectively.

As of December 31, 2022 and 2021, the fair values of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers dated December 1, 2022 and December 17, 2021, respectively. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site. The higher the price per square meter, the higher the fair value.

As of December 31, 2022 and 2021, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured using a valuation technique which uses observable inputs, either directly or indirectly, that have significant effect on the recorded fair value.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

			Range (weighted average)	
Location	**Valuation techniques**	**Key inputs**	**2022**	2021
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City Metropolitan, Manila				
Lawn lot	Sales comparison approach	Market value per lot	**₱270,000**	₱204,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**P300,000**	₱227,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

(Forward)

Location	Valuation techniques	Key inputs	Range (weighted average) 2022	2021
Garden lot	Sales comparison approach	Market value per lot	**₱2,700,000**	₱2,020,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price	**P3,000,000**	₱2,244,500 to ₱2,245,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Estate lot	Sales comparison approach	Market value per lot	**₱18,360,000**	₱18,156,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Asking price	**₱20,400,000**	₱20,172,600 to ₱ 20,174,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

In 2021, service assets also include commercial land in EDSA corner T. Benitez St. Barangay West Triangle, Quezon City. As of December 31, 2021, the fair value of these service assets - EDSA Property amounted to ₱1,911,814,000. On April 7, 2022, BPI Asset Management and Trust Corporation, the trustee bank of the Education trust fund has executed the Contract to Sell with a related party of the Company for the investment property located at EDSA corner T. Benitez St. Barangay West Triangle, Quezon City (Note 10). This property consisted of two (2) parcel of lots with a total area of seven thousand two hundred ninety seven (7,297) square meters. The total purchase price for the property is ₱1,882,626,000, which will be paid in installment.

In Market Data approach, the values are based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Description of valuation techniques used and key inputs to valuation on service asset follow:

2021

Location	Date of valuation	Valuation techniques	Significant unobservable inputs	Range (weighted average)
EDSA corner T. Benitez St. Barangay West Triangle Quezon City	December 14, 2020	Market data approach	Unit price (P/sq.m.)	**₱200,000 to ₱390,000**
			Adjustment factors	
			Location	**5%**
			Size	**5%**

Significant increases (decreases) in price per square meter and size of service asset would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

As of December 31, 2022, the service assets of the Company are covered under IC Circular Letter No. 2022-37 in which the liquidation thereof is prescribed within 3 years. As of December 31, 2021, the Company exceeded the 20.00% limit for other investments in its education and pension plan under IC Circular Letter No. 8-2012.

e) *Investment properties held in trust funds*

The rollforward analysis of this account follows:

	2022	2021
Balance at January 1	**₱1,025,529,000**	₱1,027,791,000
Fair value gain (loss) (Note 21)	–	(2,262,000)
Balance at December 31	**₱1,025,529,000**	₱1,025,529,000

The comparison of the acquisition cost and the fair value of investment properties are as follows:

	2022	2021
Acquisition cost	**₱600,879,003**	₱600,879,003
Accumulated fair value gain	**424,649,997**	424,649,997
Fair value as at December 31	**₱1,025,529,000**	₱1,025,529,000

Investment properties consist of commercial land in National Road, Barangay Real, Calamba City and EDSA corner T. Benitez st. Barangay West Triangle, Quezon City and a land with commercial building in Barangay Bel-Air, Salcedo Village, Makati City.

Rent income derived from this investment property amounted to ₱4,890,197 and ₱8,431,374 in 2022 and 2021, respectively. Direct expenses incurred from this asset amounted to ₱12,664,666 and ₱12,979,694 in 2022 and 2021, respectively.

The fair values of investment properties were based on valuation performed by independent qualified professional appraiser for the trustee bank and were arrived at using the Market Data and Discounted Cash Flow Analysis Approach.

In Market Data approach, the values are based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

In Discounted Cash Flow Analysis technique, the lessor's interest of the land is estimated by computing the present worth of all future income stream stipulated in the lease contract, and is then discounted as an annuity throughout the remaining life of the lease contract at an interest rate consistent with the prevailing investment rate involving risk similar to the property under review.

The Company has determined that the highest and best use of the investment properties has been determined to be for commercial use.

As of December 31, 2022 and 2021, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

2022

Location	Date of valuation	Valuation techniques	Significant unobservable inputs	Range (weighted average)
National Road, Barangay Real, Calamba City	December 14, 2020	Discounted Cash Flow Analysis approach	Unit price (P/sq.m.)	₱34,000
			Discount rate	8.76%
			Escalation rate	8.00%
Sen. Gil J. Puyat Avenue	October 29, 2021	Market data	Unit price (P/sq.m.)	₱400,000 to ₱401,540
Barangay Bel-Air, Salcedo Village, Makati City		Approach	Lot area (sq.m.)	1,425 sq.m
			Adjustment factors	
			Location	5%
			Size	5%
			Time Element	10%
			Market Resistance	-15%

2021

Location	Date of valuation	Valuation techniques	Significant unobservable inputs	Range (weighted average)
National Road, Barangay Real, Calamba City	December 14, 2020	Discounted Cash Flow Analysis approach	Unit price (P/sq.m.)	₱34,000
			Discount rate	8.76%
			Escalation rate	8.00%
Sen. Gil J. Puyat Avenue	October 29, 2021	Market data	Unit price (P/sq.m.)	₱400,000 to ₱401,540
Barangay Bel-Air, Salcedo Village, Makati City		Approach	Lot area (sq.m.)	1,425 sq.m
			Adjustment factors	
			Location	5%
			Size	5%
			Time Element	10%
			Market Resistance	-15%

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

(2) Accrued expenses and other liabilities

The breakdown of the accrued expenses and other liabilities follows:

	2022	2021
Accounts payable	**₱135,281,186**	₱75,752,038
Accrued expenses	**8,742,111**	10,490,987
Taxes payable	**553,654**	1,597,443
Miscellaneous	**4,999,149**	7,077,939
	₱149,576,100	₱94,918,407

(3) Deferred tax liability

The breakdown of deferred tax liability on investment properties and service assets - memorial lots and investment properties follows:

	2022	2021
Service assets	**₱915,167,040**	₱547,131,804
Investment properties	**106,162,499**	106,162,499
	₱1,021,329,539	₱653,294,303

Total contributions to the trust funds amounted to ₱1,831,424,491 and ₱1,143,926,108 in 2022 and 2021, respectively.

Withdrawals from the trust fund consist of the following:

2022

	Life	**Pension**	**Education**	**Total**
Benefits paid	**₱199,738,211**	**₱2,350,966,496**	**₱2,178,983,570**	**₱4,729,688,277**
Cancelled/Redeposited	**(3,570,766)**	**(14,745,599)**	**(18,975,431)**	**(37,291,796)**
Total	**₱196,167,445**	**₱2,336,220,897**	**₱2,160,008,139**	**₱4,692,396,481**

2021

	Life	Pension	Education	Total
Benefits paid	₱164,504,032	₱3,369,469,609	₱3,092,589,301	₱6,626,562,942
Cancelled/Redeposited	(5,592,709)	(42,369,530)	(27,601,462)	(75,563,701)
Total	₱158,911,323	₱3,327,100,079	₱3,064,987,839	₱6,550,999,241

To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust funds of a pre-need company shall be limited to the following and subject to limitations under Chapter VIII, Section 34 of the Pre-need Code: Investments in Trust Fund and Insurance Commission circular letter.

Investment in Trust Fund managed by LandBank

In 2021, the Company formally created a separate trust fund with a local bank to settle its benefits payable from 2018 and prior years (see Note 2). On May 24, 2022, the Company received a letter from the Commission dated May 13, 2022 in response to their letter dated May 12 2022. In this letter, the Commission interposed no objection to the proposed amendments to the Company's trust fund agreement with LandBank pursuant to IC CL Nos. 2-2013 and 2013-26 (see Note 2). In 2022, the investment in trust fund managed by Landbank was included as part of the mandatory trust funds.

As of December 31, 2022 and 2021, the Company's Investment in Trust Fund managed by LandBank trust fund consists of:

	2022	2021
Cash and cash equivalents	₱–	₱106,633,933
Service assets - memorial lots (Note 13)	–	1,627,069,967
Total	₱–	₱1,733,703,900

The roll forward of the service assets - memorial lots follows:

	2022	2021
Balance at January 1	**₱1,627,069,967**	₱1,341,476,000
Contributions (Note 13)	–	299,968,000
Transferred to mandatory trust funds	**(1,627,069,967)**	–
Disposal	–	(6,483,955)
Increase in fair value	–	(7,890,078)
Balance at December 31	–	₱1,627,069,967

The fair value of these service assets - memorial lots and the related deferred tax liability amounted to ₱1,627,069,967 and ₱331,967,531 in 2021. As of December 31, 2021, the acquisition cost of service asset - memorial lots amounted to ₱520,511,532. The sensitivity analysis of the significant assumptions used in the fair value of service assets - memorial lots is disclosed in Note 13.

As of December 31, 2021, the Company has already exceeded the limit for other investments in under IC Circular Letter No. 8-2012.

However, the Company requested the Commission to review the applicability of the limits set in Section 34 of the Pre-need Code on the separate trust fund (see Note 2).

As of December 31, 2022, the Company has exceeded the limit for equities (single issuer) for both Education and Pension Plans and limits for long term commercial papers (single issuer) for Pension Plans under IC Circular Letter No. 2022-25 and IC Circular Letter No. 2022-37.

11. Insurance Premium Fund

This account consists of:

	2022	2021
Assets		
Cash in banks	**₱19,062**	₱33,748
Short-term investments	**61,378,384**	–
Financial assets at FVTPL (Note 27)	**44,715,055**	31,973,638
Financial assets at amortized cost (Note 27)	**54,915,955**	114,892,149
Inventories - memorial lots	**21,370,297**	35,832,056
Investment property	**41,851,000**	40,629,000
Property and equipment	**25,909,163**	28,787,958
Subtotal	**250,158,916**	252,148,549
Less Accrued expenses and other liabilities	**10,120**	4,579
Deferred tax liability (asset)	**12,669**	(292,831)
	₱250,136,127	₱252,436,801

The roll forward analysis of the account follows:

	2022	2021
Balance at January 1	**₱252,436,801**	₱441,695,003
Additional contributions	**73,381,836**	167,105,985
Disposals during the year	–	(424,771,200)
Withdrawals during the year	**(74,461,760)**	(12,025,543)
	251,356,877	172,004,245
Gain (loss) on market appreciation of investment property, net of deferred tax liability	**916,500**	(6,229,066)
Fair value changes on financial assets at FVTPL (Note 22)	**46,520**	(1,446,735)
Depreciation during the year	**(2,878,796)**	–
Net income, net of final tax	**695,026**	88,108,357
Balance at December 31	**₱250,136,127**	₱252,436,801

a) *Cash in banks and accrued income*

Cash in banks earns interest at the prevailing bank deposit rates. Accrued income pertains to interest accrued arising from cash in banks with interest rates ranging from 4.00% to 4.75% and 1.00% to 1.50% in 2022 and 2021, respectively.

Interest income earned on cash in banks amounted to ₱15 in 2022 and ₱10 in 2021, respectively (see Note 22).

b) *Financial Assets at FVTPL*

In 2021, the Company contributed mutual funds into the insurance premium fund amounting to ₱22,692,970 to its Insurance Premium Fund.

Financial assets consist of listed equity securities and UITF.

	2022	2021
Equity securities - listed shares	**₱21,184,445**	₱8,985,668
Mutual fund	**23,235,610**	22,692,970
Investments in UITF	**295,000**	295,000
	₱44,715,055	₱31,973,638

c) *Financial assets at amortized cost*

In 2021, the Company contributed private bonds into the insurance premium fund amounting to ₱114,892,149 to its Insurance Premium Fund.

As of December 31, 2022 and 2021, this account consists of:

	2022	2021
Private bonds	**₱55,000,000**	₱115,000,000
Less allowance for expected credit losses	**84,045**	107,851
	₱54,915,955	₱114,892,149

These investments, which will mature in 2022 to 2024, bear interest rates ranging from 6.00% to 7.82% in 2022.

The rollforward analysis of allowance for expected credit losses follows:

	2022	2021
Balance at January 1	**₱107,851**	₱–
Provision/Transfer	**(23,806)**	107,851
Balance at December 31	**₱84,045**	₱107,851

d) *Inventories - memorial lots*

In December 2015, the Company acquired from an affiliate, Philippine Life Financial Assurance Corporation (PhilLife), 2,291 memorial lots at Golden Haven Memorial Park, Barangay Pulang Lupa, Las Piñas City amounting to ₱120,043,090.

The Company also acquired 96 memorial lots at the same location from the one of the Company's stockholders for a total purchase price of ₱10,000,000.

These memorial lots are intended for individual sale and are not for bundling with any pre-need plan. The inventory of memorial lots as of December 31, 2022 and 2021 amounted to ₱21,370,297 and ₱35,832,056, respectively. Total sales of memorial lots amounted to ₱20,406,769 and ₱17,762,000 in 2022 and 2021, respectively, and the total cost of sale of memorial lots recognized amounted to P14,461,760 and ₱12,575,443 in 2022 and 2021, respectively.

The commission expense arising from the sale of Golden Haven memorial lots, presented under 'Other direct cost and expenses' in the statements of income amounted to ₱3,139,000 and ₱2,760,000 in 2022 and 2021, respectively.

e) *Investment properties*

The roll forward analysis of this account follows:

	2022	2021
Balance at January 1	**₱40,629,000**	₱474,215,200
Disposals	**–**	(424,771,200)
Fair value gains (losses) (Note 22)	**1,222,000**	(8,815,000)
Balance at December 31	**₱41,851,000**	₱40,629,000

The comparison of the acquisition cost and the fair value of the investment property as of December 31, 2022 and 2021 follows:

	2022	2021
Acquisition cost	**₱41,800,326**	₱41,800,326
Fair value gain (losses)	**50,674**	(1,171,326)
Balance at December 31	**₱41,851,000**	₱40,629,000

The investment property pertains to condominium units in Ayala Avenue, Makati City and warehouse condominium in San Antonio, Makati City.

Ayala Avenue, Makati City
Condominium units amounting to ₱433,233,600 as of December 31, 2020 and were presented as part of insurance premium fund since these assets were purchased using such fund.

In 2021, investment properties are leased to the Company's affiliate and to a third party (see Notes 22, 28 and 30). Total rent income earned from the investment properties under insurance premium fund amounted to ₱17,981,882 in 2021.

On December 29, 2021, the 2nd and 11th floors with total carrying amount of ₱424,771,200 were sold for ₱160,000,000 each with the loss on sale of ₱61,880,000 and ₱42,891,200, respectively (see Note 22 and 28).

The property is located along Ayala Avenue, Makati City wherein development is primarily intended for mixed-use high rise residential, commercial and office condominium buildings. The Company determined that the highest and best use of the land on which the condominium building is erected is by developing it into a high-rise mixed office and commercial building which is its existing land use.

The value of the condominium units was arrived at using Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation, and facilities offered and the time element.

As of December 31, 2021, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Description of valuation techniques used and key inputs to valuation on investment properties in 2021 follow:

Location	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Philippine First Condominium			
2nd Floor	Sales Comparison Approach	Estimated computed value per sq. m.	P196,484 to 212,800
		Net price (/sq.m.)	P215,000
		Internal factor	
		Location	20%
		Size	-10% to -5%
		Time Element	0% to 2%
		Unit Interior Finishes	-5%
		Parking Slot	0%
11th Floor	Sales Comparison Approach	Estimated computed value per sq. m.	P196,484 to 212,800
		Net price (/sq.m.)	P204,800
		Internal factor	
		Location	20%
		Size	-10% to -5%
		Time Element	0% to 2%
		Unit Interior Finishes	-5%
		Parking Slot	0%

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties (see Note 10).

San Antonio, Makati City
On June 9, 2016, the Company acquired a warehouse condominium located in San Antonio, Makati City amounting to ₱41,800,326. As of December 31, 2022 and 2021, the fair value of this investment property amounted to ₱41,851,000 and ₱40,629,000 respectively.

The value of the condominium units was arrived at using Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The appraisal was made for the purpose of expressing an opinion on the fair value of the property as of 11 December 2021.

Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation, and facilities offered and the time element.

As of December 31, 2022, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

Location	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
Warehouse condominium	Sales Comparison Approach	Estimated computed value per sq. m.	₱53,645 to ₱83,160
		Net price (/sq.m.)	₱107,290 to ₱118,800
		Internal factor	
		Location (building)	-20% to 0%
		Size	-20%
		Parking Slot Allocation	0%
		Condition	-10%
		Time Element	0%
		Internal Factor	-30% to -50%

f) Property and equipment

As of December 31, 2021, this account consists of:

	Office Condominium	
	2022	2021
Acquisition cost	**₱57,575,917**	₱57,575,917
Accumulated depreciation	**(31,666,754)**	(28,787,959)
Balance at December 31	**₱25,909,163**	₱28,787,958

g) Deferred tax liability (asset)

The breakdown of deferred tax liability on the accumulated fair value changes on investment properties held under insurance premium fund follows:

	2022	2021
San Antonio, Makati City	**₱12,669**	(₱292,831)
	₱12,669	(₱292,831)

12. Property and Equipment

The roll forward analysis of this account follows:

2022

	Office Condominium	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Software Development	Total
Cost						
Balance as at January 1	**₱–**	**₱9,731,812**	**₱12,342,958**	**₱–**	**₱109,682,547**	**₱131,757,317**
Additions	**–**	**3,808,036**	**2,895,996**	**–**	**5,436,977**	**12,141,009**
Disposals and retirement	**–**	**(3,979,526)**	**–**	**–**	**–**	**(3,979,526)**
Balance as at December 31	**–**	**9,560,322**	**15,238,954**	**–**	**115,119,524**	**139,918,800**
Accumulated Depreciation and Amortization						
Balance as at January 1	**–**	**7,656,068**	**11,495,112**	**–**	**102,818,663**	**121,969,843**
Depreciation and amortization (Note 24)	**–**	**2,520,015**	**901,077**	**–**	**3,788,146**	**7,209,238**
Disposal and retirement	**–**	**(3,011,525)**	**–**	**–**	**–**	**(3,011,525)**
Balance at December 31	**–**	**7,164,558**	**12,396,189**	**–**	**106,606,809**	**126,167,556**
Net Book Value	**₱–**	**₱2,395,764**	**₱2,842,765**	**₱–**	**₱8,512,715**	**₱13,751,244**

2021

	Office Condominium	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Software Development	Total
Cost						
Balance as at January 1	₱121,646,917	₱66,494,215	₱162,425,388	₱270,920,166	₱224,574,574	₱846,061,260
Additions	–	–	252,232	–	2,681,576	2,933,808
Disposals and retirement	(64,071,000)	(56,762,403)	(150,334,662)	(270,920,166)	(109,829,935)	(651,918,166)
Transfers (Note 11)	(57,575,917)	–	–	–	(7,743,668)	(65,319,585)
Balance as at December 31	–	9,731,812	12,342,958	–	109,682,547	131,757,317
Accumulated Depreciation and Amortization						
Balance as at January 1	65,374,756	65,949,016	160,156,189	270,920,166	210,163,910	772,564,037
Depreciation and amortization (Note 24)	–	2,230,302	1,581,174	–	6,740,897	10,552,373
Disposal and retirement	(36,586,798)	(56,762,403)	(150,242,251)	(270,920,166)	(109,068,008)	(623,579,626)
Transfers and other adjustments (Note 11)	(28,787,958)	(3,760,847)	–	–	(5,018,136)	(37,566,941)
Balance at December 31	–	7,656,068	11,495,112	–	102,818,663	121,969,843
Net Book Value	₱–	₱2,075,744	₱847,846	₱–	₱6,863,884	₱9,787,474

Total depreciation and amortization expense charged to operations amounted to ₱10,088,034 in 2021. Out of the total depreciation and amortization expense, ₱7,209,238 pertain to property and equipment in the corporate books and 2,878,796 pertains to property and equipment in the 'Insurance premium fund' account. In 2021 total depreciation and amortization expense for property and equipment amounted to ₱10,552,373 (see Note 24).

In 2022, transportation equipment with a total cost of ₱3,979,526 and accumulated depreciation of ₱3,011,525 were disposed for ₱1,285,857 resulting to a gain of ₱317,856 (see Note 22).

On December 29, 2021, the Company sold the 12th floor to PhilHealthCare, Inc. for a total consideration of ₱160.00 million. Total gain on sale amounted to ₱127,964,500 (see Note 22).

In 2021, the property and equipment with a total cost of ₱498,160,946 and accumulated depreciation of ₱497,399,019 were retired as of December 31, 2021. These are expired software, signage with old logos, outdated equipment and other fully depreciated assets that are no longer in use.

Fully depreciated property and equipment amounting to ₱11,464,121 and ₱13,413,041 as of December 31, 2022 and 2021, respectively, are still in active use.

There are no property and equipment pledged as security to obligations as of December 31, 2022 and 2021.

13. Service Assets – Memorial Lots

The roll forward analysis of this account follows:

	2022	2021
Balance at January 1	**₱4,280,495,146**	₱3,895,556,270
Disposals	**(131,303,734)**	(157,165,060)
Transfers (Note 10)	**(408,000)**	617,860,000
Cancelled	**2,014,000**	–
Increase (decrease) in fair value	**512,949,982**	(75,756,064)
Balance at December 31	**₱4,663,747,394**	₱4,280,495,146

As part of its business plan, the Company bundles memorial lots with its life plans and classifies these memorial lots as 'service assets - memorial lots' in the statement of financial position.

In 2021, the Company contributed service assets - memorial lots amounting to ₱299,968,000 to its Investment in Trust Fund managed by LandBank.

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair value through profit or loss. The fair value of these service assets - memorial lots and the related deferred tax liability amounted to ₱4,663,747,394 and ₱920,457,013 for 2022, respectively, and ₱4,280,495,146 and ₱818,378,544 for 2021, respectively. The increase (decrease) in fair value in 2022 and 2021 amounting to ₱512,990,551 and (₱98,388,159), respectively is presented as "Income from service assets - memorial lots" in the statement of income.

The fair value of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers dated December 31, 2022 and 2021. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site.

The acquisition cost of these service assets - memorial lots amounted to ₱981,919,340 and ₱1,006,980,969 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities is measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

	Valuation	Key	Range (weighted average)	
Location	**techniques**	**inputs**	**2022**	2021
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City Metropolitan, Manila				
Lawn lot	Market data approach	Market value per lot	**270,000**	₱204,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**P300,000 to P300,000**	₱227,000 to ₱227,000
		Adjustment factor		
		Location	**0% to -10%**	0% to -10%
Garden lot	Market data approach	Market value per lot	**2,700,000**	₱2,020,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price		₱2,244,500 to ₱2,245,000
		Adjustment factor	**P3,000,000 to P3,000,000**	0% to -10%
		Location	**0% to -10%**	
Estate lot	Market data approach	Market value per lot	**18,360,000**	₱18,156,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Adjustment factor		
		Adjustment factors	**P20,400,000 to P20,400,000**	P20,400,000 to P20,400,000
		Location	**0% to -10%**	0% to -10%

14. Investment in a Subsidiary

In October 2013, the Company acquired 65% equity interest in Rosehills Memorial Management Inc. (RMMI), a company incorporated in the Philippines and primarily engaged in the operation and management of a memorial park, memorial and interment services, and sale of memorial products.

On February 17, 2021, the Company sold 2,418,592 shares of RMMI, which represents its 65% ownership interest, to Maestro Holdings, Inc. for a consideration of ₱400.00 million. The first ₱200.00 million was received by the Company on February 22, 2021 and the balance was fully paid on June 22, 2021. Total gain on sale of RMMI shares amounted to ₱303,011,183.

The total proceeds amounting to ₱400,188,000 were contributed to the mandatory trust fund on April 4, 2021 and June 29, 2021.

15. Other Assets

This account consists of:

	2022	2021
Prepaid taxes	**₱84,883,153**	₱68,688,178
Software	−	16,919,332
Others	**657,000**	740,929
	₱85,540,153	₱86,348,439

Prepaid taxes represent tax withheld at source by counterparties which can be utilized against future income tax payable.

Software pertains to the new general ledger system acquired by the Company in 2020. The Company expects the new general ledger system to be operational in 2022.

16. Accrued Expenses and Other Liabilities

This account consists of:

	2022	2021
Benefits payable (Notes 10 and 27)	**₱4,293,954,558**	₱5,745,144,825
Accounts payable, payors' deposits and others (Note 27)	**533,209,934**	489,148,345
Contract liabilities (Note 27)	**414,560,281**	334,403,923
Counselors' bond reserves (Note 27)	**25,108,232**	28,425,688
Accrued expenses (Note 27)	**18,178,954**	25,523,437
Taxes payable	**9,654,221**	76,536,065
Due to related parties (Notes 27 and 28)	**5,853,482**	22,825,624
Others	**29,619,208**	29,530,052
	₱5,330,138,870	₱6,751,537,957

The roll forward analysis of benefits payable follows:

December 31, 2022

	Life	**Pension**	**Education**	**Total**
Balance at January 1	**₱422,020,618**	**₱3,042,581,596**	**₱2,280,542,611**	**₱5,745,144,825**
Additions	**23,506,190**	**1,227,247,861**	**1,113,093,204**	**2,363,847,255**
Payments	**(107,456,010)**	**(2,075,433,557)**	**(1,632,147,955)**	**(3,815,037,522)**
Balance at December 31	**₱338,070,798**	**₱2,194,395,900**	**₱1,761,487,860**	**₱4,293,954,558**

December 31, 2021

	Life	Pension	Education	Total
Balance at January 1	₱449,414,206	₱2,718,503,928	₱2,437,340,897	₱5,605,259,031
Additions	174,652,072	3,494,278,260	2,542,507,006	6,211,437,338
Payments	(202,045,660)	(3,170,200,592)	(2,699,305,292)	(6,071,551,544)
Balance at December 31	₱422,020,618	₱3,042,581,596	₱2,280,542,611	₱5,745,144,825

Benefits payable consists mainly of payable arising from unclaimed matured life, pension and education plans including those enrolled under fund management services. It also includes dividends payable to each planholder who qualify for dividends under their participating plans.

Accounts payable and payor's deposits consist mainly of payable to suppliers arising from purchases of various office supplies, equipment and other capital expenditures. It also includes installment premiums received from planholders who applied for new business or reinstatement of plans, but premiums remain unapplied due to incomplete requirements. The payors' deposits are refundable to planholders upon receipt of request for reimbursements from the planholders.

Contract liabilities represent advance payment from customers on sale of memorial lots which shall be recognized as revenue in the statement of income when control over the memorial lots is transferred to the customer, which is generally upon transfer of legal title or upon full payment of the total consideration in the absence of certificate of title.

Taxes payable includes taxes withheld from the compensation of employees, taxes on sale of memorial lots and taxes payable for the premiums collected by the Company including documentary stamp tax and output tax.

Counselors' bond reserves represent the aggregate amount of deductions from agents' commissions, bonuses and other cash incentives to accumulate a reserve. Upon separation of an agent from the Company, his accountability will be charged against this reserve.

Accrued expenses mainly pertain to accruals of operating expenses, conventions, and government contributions.

Due to related parties mainly pertains to the outstanding payable of the Company for the acquisition of software, memorial lots and shared expenses.

Others consist of excess payments on cash facility loans, due to insurer and reserves for legal contingencies.

17. Pre-need Reserves

Based on the actuarial certification issued by the consulting actuary accredited by the IC, the balance of the pre-need reserves as of December 31, 2022 and 2021 is ₱13,730,334,614 and ₱16,077,500,619, respectively.

This account consists of:

	2022	2021
Life (Note 6)	**₱3,292,160,474**	₱3,070,667,939
Pension (Note 6)	**6,646,203,081**	7,845,757,718
Education (Note 6)	**3,791,971,059**	5,161,074,962
	₱13,730,334,614	₱16,077,500,619

The following table represents breakdown of the increase (decrease) in this account:

	2022	2021
Life	**₱221,492,535**	(₱387,661,030)
Pension	**(1,199,554,638)**	(3,448,860,483)
Education	**(1,369,103,902)**	(2,777,478,893)
	(₱2,347,166,005)	(₱6,614,000,406)

Movements in the pre-need reserves follow:

Life Plan

	2022	2021
Balance at January 1	**₱3,070,667,939**	₱3,458,328,969
Net premium consideration	**82,720,000**	81,804,725
Liability released for payments of death, maturity and surrender benefits and claims	**(85,085,889)**	(112,630,273)
Accretion of investment income	**179,771,273**	208,907,927
Actuarial gains (losses)	**(44,405,454)**	408,661
Adjustment due to change in surrenders, lapses and interest rate assumptions	**88,492,605**	(566,152,070)
Balance at December 31	**₱3,292,160,474**	₱3,070,667,939

Pension Plan

	2022	2021
Balance at January 1	**₱7,845,757,718**	₱11,294,618,201
Net premium consideration	**205,505,467**	194,195,619
Liability released for payments of death, maturity and surrender benefits and claims	**(1,845,353,911)**	(4,082,560,581)
Accretion of investment income	**462,332,705**	687,749,125
Actuarial losses	**(22,038,898)**	(94,228,152)
Adjustment due to change in surrenders, lapses and interest rate assumptions	**–**	(154,016,494)
Balance at December 31	**₱6,646,203,081**	₱7,845,757,718

Education Plan

	2022	2021
Balance at January 1	**₱5,161,074,962**	₱7,938,553,855
Net premium consideration	**31,316,091**	25,132,976
Liability released for payments of death, maturity and surrender benefits and claims	**(1,941,446,983)**	(3,496,048,244)
Accretion of investment income	**298,518,516**	477,676,337
Actuarial gains	**171,695,320**	294,261,461
Adjustment due to change in surrenders, lapses and interest rate assumptions	**70,813,153**	(78,501,423)
Balance at December 31	**₱3,791,971,059**	₱5,161,074,962

18. **Other Reserves**

This account pertains to insurance premium reserves. Based on the actuarial certification issued by the consulting actuary accredited by the IC, the balance of the insurance premium reserves as of December 31, 2022 and 2021 is ₱203,152,528 and ₱226,723,715, respectively.

Components of other reserves follow:

	2022	2021
Life	**₱88,966,584**	₱93,559,423
Pension	**83,483,542**	94,426,854
Education	**30,702,402**	38,737,438
	₱203,152,528	₱226,723,715

The following table presents the breakdown of the decrease in this account:

	2022	2021
Life	**(₱4,592,839)**	(₱60,472,238)
Pension	**(10,943,312)**	(34,968,006)
Education	**(8,035,036)**	9,582,562
	(₱23,571,187)	(₱85,857,682)

Movements in the other reserves follow:

Life Plan

	2022	2021
Balance at January 1	**₱93,559,423**	₱154,031,661
Premiums received	**7,198,446**	7,140,382
Liability released for payments of death, maturity and surrender benefits and claims	**(894,326)**	(2,526,362)
Liability releases for payments of fully paid plans	–	(33,783,385)
Accretion of investment income	**5,092,900**	8,343,877
Actuarial losses	**(15,989,859)**	(39,646,750)
Balance at December 31	**₱88,966,584**	₱93,559,423

Pension Plan

	2022	2021
Balance at January 1	**₱94,426,854**	₱129,394,860
Premiums received	**2,227,952**	6,489,829
Liability released for payments of death, maturity and surrender benefits and claims	**(7,333,275)**	(24,163,784)
Liability releases for payments of fully paid plans	–	(9,190,461)
Accretion of investment income	**4,964,607**	6,474,148
Actuarial losses	**(10,802,596)**	(14,577,738)
Balance at December 31	**₱83,483,542**	₱94,426,854

Education Plan

	2022	2021
Balance at January 1	**₱38,737,438**	₱29,154,876
Premiums received	**711,765**	912,583
Liability released for payments of death, maturity and surrender benefits and claims	**(4,704,810)**	(4,200,490)
Liability releases for payments of fully paid plans	**125,538**	(4,684,331)
Accretion of investment income	**1,950,350**	1,428,149
Actuarial gains (losses)	**(6,117,879)**	16,126,651
Balance at December 31	**₱30,702,402**	₱38,737,438

19. Pension Asset

The Company has a defined benefit pension plan, covering substantially all of its employees, which requires contributions to be made to a separately administered fund. The plan is administered by a local bank as trustee.

The following tables summarize the components of net retirement benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the plan:

Net pension asset

	2022	2021
Benefit obligation	**(₱91,026,241)**	(₱96,241,035)
Plan assets	**106,291,703**	110,268,617
Net pension asset	**₱15,265,462**	₱14,027,582

Net retirement benefit expense

	2022	2021
Current service cost	**₱5,730,746**	₱5,711,030
Interest cost - net	**(667,713)**	(614,398)
Net retirement benefit expense (Note 25)	**₱5,063,033**	₱5,096,632

Changes in net defined benefit obligation (DBO) of funded funds follow:

	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
January 1, 2022	**₱96,241,035**	**₱110,268,617**	**(₱14,027,582)**
Net Benefit Cost in Statement of Income			
Current service cost	**5,730,746**	**–**	**5,730,746**
Net interest cost	**4,581,073**	**5,248,786**	**(667,713)**
Benefits paid (other than settlement)	**(2,294,476)**	**(2,294,476)**	**–**
Sub-total	**8,017,343**	**2,954,310**	**5,063,033**

(Forward)

	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)	**₱**	**(₱7,374,648)**	**₱7,374,648**
Actuarial changes arising from experience adjustments	**439,697**		**439,697**
Actuarial changes arising from changes in financial assumptions	**(13,671,834)**		**(13,671,834)**
Sub-total	**(13,232,137)**	**(7,374,648)**	**(5,857,489)**
Contributions		**443,424**	**(443,424)**
December 31, 2022	**₱91,026,241**	**₱106,291,703**	**(₱15,265,462)**

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
January 1, 2021	₱94,771,811	₱113,333,694	(₱18,561,883)
Net Benefit Cost in Statement of Income			
Current service cost	5,711,030	–	5,711,030
Net interest cost	3,136,947	3,751,345	(614,398)
Benefits paid (other than settlement)	(2,273,196)	(2,273,196)	–
Sub-total	6,574,781	1,478,149	5,096,632
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)		(4,543,226)	4,543,226
Actuarial changes arising from experience adjustments	5,948,542	–	5,948,542
Actuarial changes arising from changes in financial assumptions	(11,054,099)	–	(11,054,099)
Sub-total	(5,105,557)	(4,543,226)	(562,331)
Contributions	–	–	–
December 31, 2021	₱96,241,035	₱110,268,617	(₱14,027,582)

The actual return on plan assets amounted to (₱791,881) and ₱3,647,117 in 2021 and 2020, respectively.

The details of the plan assets follow:

	2022	2021
Cash	**₱316**	₱4,030
Investments:		
Debt instruments	**83,533,832**	85,313,684
Equity instruments	**17,408,032**	23,190,724
Investment funds	**4,592,455**	2,400,475
Others	**883,718**	1,084,823
Trust fee and other payables	**(126,650)**	(1,725,119)
Net equity	**₱106,291,703**	₱110,268,617

Movements in 'Remeasurement gains (losses) on defined benefit plan' in OCI follow:

	2022	2021
Balance at beginning of year	**(₱17,238,191)**	(₱16,482,610)
Remeasurement gains (losses) on retirement plan in OCI:		
Return on plan assets (excluding amount included in net interest)	**(7,374,648)**	(4,543,226)
Due to experience adjustments	**(439,697)**	(5,948,542)
Due to changes in financial assumptions	**13,671,834**	11,054,099
Remeasurement gains (losses) during the year	**5,857,489**	562,331
Tax effect	**(1,464,372)**	(140,583)
Impact of CREATE	**–**	(1,177,329)
Remeasurement gains (losses) during the year, net of tax	**4,393,117**	(755,581)
Balance at end of year, net of tax	**(₱12,845,074)**	(₱17,238,191)

The cost of defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

Discount rate used in computing for the present value of the obligation of the Company was 6.89% and 4.76% as of December 31, 2022 and 2021.

The principal assumptions used in determining pension benefit obligations for the defined benefit plan are shown below:

	2022	2021
Discount rates:	**4.76%**	3.31%
Rate of salary increase	**3.00%**	3.00%
Average years of service	**13.03%**	12.42%
Mortality rate	**1994 GAMT**	1994 GAMT

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, 2021 and 2020, assuming if all other assumptions were held constant:

	2022		2021	
	Change	**Amount**	Change	Amount
Discount rate				
a. Discount rate	**1%**	**(5,412,240)**	+1%	(₱6,587,461)
b. Discount rate	**-1%**	**6,055,872**	-1%	7,485,823
Salary increase rate				
a. Salary increase	**1%**	**6,2885,466**	+1%	7,551,594
b. Salary increase	**-1%**	**(5,753,865)**	-1%	(6,793,639)
Attrition rates				
a. Attrition rate scale	**10%**	**121,078**	+10%	641,107
b. Attrition rate scale	**-10%**	**(121,078)**	-10%	(641,107)

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

	2022	2021
Less than 1 year	**₱16,260,704**	₱14,892,484
More than 1 year to 5 years	**39,132,179**	36,869,462
More than 5 years to 10 years	**67,636,297**	57,909,789
More than 10 years to 15 years	**63,872,787**	66,098,030
More than 15 years to 20 years	**30,873,387**	35,875,999
More than 20 years	**19,395,993**	18,550,088
Total	**₱237,171,347**	₱230,195,852

The weighted average duration of the defined benefit obligation is equivalent to 9 years and 13 years in 2022 and 2021, respectively.

20. **Equity**

Capital stock
As of December 31, 2022 and 2021, the Company's authorized capital stock consists of 15,000,000 shares with a par value of 100 per share or 1,500,000,000. As mentioned in Note 3 to the financial statements, the SEC imposed the minimum paid-up capital of 100,000,000 for pre-need companies selling at least three (3) types of plan.

The outstanding and issued capital stock amounted to ₱700,000,000 as of December 31, 2022 and 2021 representing 7,000,000 shares at 100 par value per share.

Retained earnings
Restricted retained earnings include accumulated trust fund income net of any reversal of appropriations during the year. These are automatically restricted to payments of benefits of planholders and such other related payments as allowed in the Pre-need Rules (see Notes 10 and 21). The portion of retained earnings corresponding to the cumulative fair value gains of service assets - memorial lots and investment properties are not available for distribution as dividends until realized through sale.

The roll forward analysis showing the results of the Company's operations follows:

2022

	Restricted	**Unrestricted**	**Total**
Balance at January 1	**₱–**	**₱4,086,723,272**	**₱4,086,723,272**
Net income (loss)	**105,928,237**	**(171,885,828)**	**(65,957,591)**
Reversal of appropriations	**(105,928,237)**	**105,928,237**	**-**
Balance at December 31	**₱–**	**₱4,020,765,681**	**₱4,020,765,681**

2021

	Restricted	Unrestricted	Total
Balance at January 1	₱1,602,827,967	₱206,956,089	₱1,809,784,056
Net loss	805,370,854	1,471,568,362	2,276,939,216
Reversal of appropriations	(2,408,198,821)	2,408,198,821	–
Balance at December 31	₱–	₱4,086,723,272	₱4,086,723,272

Capital management framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its planholders. The level of capital maintained is higher than the minimum capital requirements of the IC. The Company considers the entire equity in determining the capital.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on the surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels. The results of the financial plans and projections provide basis in the determination of capitalization changes and surplus distribution decisions.

The Company has fully complied with the externally imposed minimum capital requirement of 100,000,000 during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

21. Trust Fund Income

This account consists of:

	2022	2021
Interest income:		
Financial assets (Note 10)	**₱397,781,276**	₱399,669,919
Cash and cash equivalents (Note 10)	**7,456,104**	4,843,129
Gain (loss) on sale of financial assets (Note 10)		
Financial assets at OCI (Note 10)	**(203,704,730)**	10,187,544
Financial Assets through profit and loss (Note 10)	**(130,980,112)**	(238,955,532)
Fair value gain/(loss) on financial asset at FVTPL (Note 10)	**(448,738,809)**	564,337,738
Dividend income on listed equity financial assets (Note 10)	**127,170,902**	116,231,683
Unrealized foreign exchange gain (loss) on trust fund investments	**43,798,204**	27,932,973
Fair value gains (loss) on service assets (Note 10)	**366,710,045**	(23,903,276)
Rental income (Note 10)	**4,890,197**	8,431,374
Fair value loss on investment properties (Note 10)	**–**	(2,262,000)
Trust fees and other investment expenses	**(58,454,840)**	(61,142,699)
	₱105,928,237	₱805,370,853

Trust fees and other investment expenses pertain to the amount paid to the trustee banks as compensation for their services and other expenses and charges incurred in connection with the administration, preservation, maintenance and protection of the fund.

22. **Interest and Other Income**

This account consists of:

	2022	2021
Service fee and loading income	**₱14,955,754**	₱15,649,349
Surcharge and amendment fees	**8,483,931**	5,406,954
Interest income on:		
Short-term investments (Note 7)	**10,243,093**	8,826,260
Investment securities at amortized cost (Note 8)	**4,631,041**	9,081,254
Cash facility loans (Note 8)	**1,659,682**	4,564,986
Cash and cash equivalents (Note 7)	**982,503**	1,014,819
Insurance premium fund (Note 11)	**15**	10
Income from servicing	**3,031,932**	919,124
Fair value changes on financial assets at FVTPL:		
Not held in trust fund (Note 8)	**(2,785,308)**	(279,154)
Insurance premium fund (Note 11)	**671,220**	(1,446,735)
Rental income (Notes 11 and 30)	**2,208,290**	17,981,882
Fair value gain (loss) on investment property (Note 11)	**1,222,000**	(8,815,000)
Gain on sale of investment in a subsidiary (Note 14)	**–**	303,011,183
Gain on sale of property and equipment (Note 12)	**317,856**	127,964,500
Loss from sale of investment properties under insurance premium fund (Note 11)	**–**	(104,771,200)
Miscellaneous income	**19,681,728**	33,807,599
	₱65,303,737	₱412,915,831

Service fee relates to one time service charge to a new planholder to cover underwriting and processing of application while loading income is the imputed interest corresponding to different plan types and modes of payment other than annual mode.

Surcharge and amendment fees consist of charges for the plan administration services, surrenders and other contract fees.

Income from servicing pertains to the referral commissions of the Company from mortuaries.

Gain on extinguishment of liability pertains to reversal of liability and clearing accounts which were outstanding for more than three (3) years.

Miscellaneous income consists mainly of processing and penalty fees from cash facility loans, gain on sale of property and equipment, income from promos, overages of cashiers.

23. Other Direct Costs and Expenses

This account consists of:

	2022	2021
Commissions	**₱63,382,454**	₱47,832,433
Insurance	**22,313,797**	56,736,020
	₱85,696,251	₱104,568,453

The commissions under other direct costs and expenses include basic commissions, productivity and regular agent's bonuses for the sales counselors and overriding commissions (ORC), producer's bonus and bonus ORC for the agency leaders including expenses for management and referral fees for all sold plans. This includes commission expense on the sale of memorial lots (Golden Haven).

Other related incentives for all performing agents and agency leaders hitting their sales goals are also given in form of short-term drives which include but not limited to Monthly Drives and long term drives such as the Globetrotters and Associates Learning Conference International (ALCI).

The Insurance expense pertains to the sold plans' insurance premium for the cost of level term, increasing term, or group year term, accidental death and dismemberment (AD & D) and total permanent disability (TPD).

24. General and Administrative Expenses

This account consists of:

	2022	2021
Employee benefits expense (Notes 19, 25 and 28)	**₱109,043,405**	₱108,073,501
Professional fees (Note 28)	**61,767,503**	78,559,621
Electronic data processing	**20,411,289**	46,831,840
Rent, light and water (Note 30)	**16,552,953**	3,137,932
Advertising and promotions	**14,456,307**	36,557,178
Repairs and maintenance	**10,425,447**	14,151,285
Depreciation and amortization (Notes 12)	**10,088,034**	10,552,373
Postage, telephone and telegraph	**6,760,988**	9,431,647
Taxes and licenses	**3,737,056**	48,398,905
Training	**3,273,644**	2,120,817
Entertainment and representation	**2,156,647**	10,099,122
Transportation and travel	**983,696**	1,221,994
Stationery and office supplies	**942,197**	1,121,639
Provisions for (recovery of) credit losses (Notes 7, 8 and 11)	**(36,508)**	(5,600,536)
Amortization of prepaid consultancy fee (Note 15)	**–**	35,000,000
Miscellaneous	**6,047,977**	5,240,275
	₱266,610,635	₱404,897,593

The service fees from collections are the fees or discount rate charged by the acquiring credit card companies from the payment made via credit card, ATM card, or auto charged transactions, service fees from premium collections by the companies under salary allotment and/or group businesses, and tie-up collecting agencies.

Prizes and awards are also given in recognition for the agents and leaders extra ordinary sales performance thereby qualifying or meeting the company's established contests and drive parameters which normally happens during the National Awards Convention (NAC).

Provisions for (recovery of) credit losses include allowance for expected credit losses recorded under 'Cash and cash equivalents and short term investments', 'Investments securities at amortized cost' and 'Loans and receivables' (see Note 8).

Miscellaneous consists mainly of insurance expense, service fees from collections, prizes and awards, bank service charges, deposit pick up fees, contributions and donations, and other miscellaneous losses.

25. Employee Benefits Expense

This account consists of:

	2022	2021
Compensation	**₱100,803,442**	₱99,945,905
Net retirement benefit expense (Note 19)	**5,063,033**	5,096,632
Social security costs	**3,176,930**	3,030,964
	₱109,043,405	₱108,073,501

26. Income Tax

Income tax includes the current tax at the rate of 25.00% and final taxes paid at the rate of 20.00% for peso deposits and 7.50% for foreign currency deposits which are final withholding taxes on gross interest income from deposit substitutes. These income taxes as well as the deferred tax provisions are presented as provision for income tax in the statement of income.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Provision for (benefit from) income tax consists of:

	2022	2021
Not held in trust funds		
Deferred (Notes 13)	**₱81,360,105**	(₱174,454,801)
Final	**3,072,178**	3,920,742
Held in trust funds		
Deferred (Note 10)	**32,616,108**	(909,448,967)
Final	**98,695,000**	97,403,414
	₱215,743,391	(₱982,579,612)

Final tax represents final taxes on interest income from investments in trust funds, insurance premium fund, short-term investments and cash and cash equivalents.

As of December 31, 2022 and 2021, the deferred tax liabilities amounting to ₱916,175,322 and ₱1,144,600,012, respectively, pertain to the tax effects of the increase in fair value of service assets - memorial lots and pension asset.

As of December 31, 2022 and 2021, the Company has unrecognized deferred tax assets pertaining to the following items:

	2022	2021
NOLCO	**₱15,154,575,559**	₱16,547,616,215
Allowance for doubtful accounts	**4,396,286**	16,710,978
Past service cost	**47,501,853**	66,999,118
Other accrued expenses	**18,146,565**	25,096,868
	₱15,224,620,263	₱16,656,423,179

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company assesses the unrecognized deferred tax assets and will recognize previously unrecognized deferred tax assets to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The NOLCO is available for offset against future taxable income for the next three (3) years.

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as “Bayanihan to Recover as One Act”, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 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.

On March 26, 2021, the Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, was approved by President amending the rate of Income Tax on domestic corporations from thirty percent (30%) to twenty-five percent (25%) effective July 1, 2020. The net impact of CREATE on deferred tax liabilities amounted to ₱204,507,103 presented as “Provision for (benefit from) income tax” in the statement of income, of which ₱205.68 million was recognized as provision for deferred tax and (₱1.18) million in other comprehensive income in the 2021 financial statements. The impact of CREATE Act is recognized in 2021 financial statements.

As of December 31, 2022, the Company has NOLCO which can be claimed as deduction from future taxable income, as follows:

Year Incurred	NOLCO	Applied	Expired	Balance	Expiration	Remarks
2019	₱3,738,122,027	₱–	₱3,738,122,027	₱–		
2020	6,639,212,341	–	–	6,639,212,341	2025	Pursuant to RA 11494
2021	6,171,150,720	–	–	6,171,150,720	2026	Pursuant to RA 11494
2022	2,344,212,498	–	–	2,344,212,498	2025	
	₱18,892,697,586	₱–	₱3,738,122,027	₱15,154,575,559		

The reconciliation of the statutory income tax to effective income tax follows:

	2022	2021
Statutory income tax rate	**25%**	25%
Tax effects of:		
Trust fund income	**69.99**	(78.29)
Change in pre-need reserve and other reserves	**(395.69)**	(129.40)
Interest income subject to final tax	**51.69**	(13.93)
Non-deductible expenses	**(0.27)**	1.22
Impact of CREATE	**–**	(15.89)
Non-taxable income	**–**	–
Change in unrecognized deferred tax assets	**393.31**	135.38
Effective income tax rate	**144.03%**	(75.91%)

27. **Management of Financial and Insurance Risks**

Governance Framework

The primary objective of the Company's financial risk management framework is to protect it from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

The Company has established risk management functions with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed.

Lastly, a Company policy framework which sets out the risk appetite of the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company's risk management policies and meets at least quarterly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

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

Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the timing of the claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid being greater than originally estimated.

The Company principally writes life plans where memorial services are provided upon the death of the policyholder. The Company has developed an underwriting policy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

In addition, the Company has a Group Insurance Agreement with its insurance provider in order to pass on insurance risks, the extent of which depends on the benefit features of the memorial life products.

Financial Instruments
The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of December 31:

	2022		2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
NOT HELD IN TRUST FUNDS				
Assets measured at fair value:				
Financial assets at FVTPL	**₱106,667,032**	**₱106,667,032**	₱109,452,340	₱109,452,340
Assets for which fair values are disclosed:				
Investment securities at amortized cost	–	–	–	–
Loans and receivables				
Cash and cash equivalents	**717,826,531**	**717,826,531**	502,277,924	502,277,924
Cash facility loans	**31,014,182**	**31,014,182**	70,225,994	70,225,994
Due from related parties	**28,979,314**	**28,979,314**	58,254,603	58,254,603
Receivable from credit card companies	**18,375,757**	**18,375,757**	15,635,124	15,635,124
Receivable from trustee bank	**12,587,546**	**12,587,546**	7,406,761	7,406,761
Advances to officers and employees	**5,266,987**	**5,266,987**	4,589,240	4,589,240
Advances to agents and others	**4,108,451**	**4,108,451**	4,044,336	4,044,336
Advances to suppliers	**1,834,812**	**1,834,812**	–	–
Interest receivable (included under ‘Prepayments and accrued income’)	**1,819,554**	**1,819,554**	1,351,224	1,351,224
Others	**6,684,376**	**6,684,376**	26,554,162	26,554,162
	935,164,542	**935,164,542**	799,791,708	799,791,708
Other assets				
Deposits (included under ‘Prepayments and accrued income’)	**852,909**	**852,909**	–	–
Total Financial Assets	**₱936,017,451**	**₱936,017,451**	₱799,791,708	₱799,791,708

(Forward)

	2022		2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Liabilities for which fair values are disclosed:				
Other Financial Liabilities				
Benefits payable	**₱4,293,954,558**	**₱4,293,954,558**	₱5,745,144,825	₱5,745,144,825
Accounts payable, payors' deposits and others	**533,209,934**	**533,209,934**	489,148,345	489,148,345
Deposits on sale of memorial lots	**414,560,281**	**414,560,281**	334,403,923	334,403,923
Counselors' bond reserves	**25,108,232**	**25,108,232**	28,425,688	28,425,688
Due to related parties	**5,853,482**	**5,853,482**	22,825,622	22,825,622
Deposits on cash facility loans	**5,600,674**	**5,600,674**	5,472,498	5,472,498
Due to insurer	**1,340,792**	**1,340,792**	1,385,158	1,385,158
Accrued expenses	**18,178,954**	**18,178,954**	25,523,437	25,523,437
Total Financial Liabilities	**₱5,297,806,907**	**₱5,297,806,907**	₱6,652,329,496	₱6,652,329,496
HELD IN TRUST FUNDS				
Assets measured at fair value:				
Financial Assets				
Financial assets at FVTPL	**₱4,223,772,984**	**₱4,223,772,984**	₱6,059,275,535	₱6,059,275,535
Financial assets at FVOCI	**6,720,391,886**	**6,720,391,886**	₱8,737,444,845	8,737,444,845
	₱10,944,164,870	**₱10,944,164,870**	₱14,796,720,380	₱14,796,720,380
Assets for which fair values are disclosed:				
Loans and Receivables				
Cash and cash equivalents	**₱1,028,671,730**	**₱1,028,671,730**	₱1,701,113,756	₱1,701,113,756
Receivables	**1,829,151,247**	**1,829,151,247**	66,054,720	66,054,720
Accrued income	**276,652,897**	**276,652,897**	80,558,259	80,558,259
	3,134,475,874	**3,134,475,874**	1,847,726,735	1,847,726,735
Total Financial Assets	**₱14,078,640,744**	**₱14,078,640,744**	₱16,644,447,115	₱16,644,447,115
Liabilities for which fair values are disclosed:				
Other Financial Liabilities				
Accrued expenses and other liabilities	**₱149,576,099**	**₱149,576,099**	₱94,918,407	₱94,918,407
HELD UNDER INSURANCE PREMIUM FUND				
Assets measured at fair value:				
Financial Assets				
Financial assets at FVTPL	**₱44,715,055**	**₱44,715,055**	₱31,973,638	₱31,973,638
Financial assets at amortized cost	**54,915,955**	**54,915,955**	114,892,149	117,521,085
	99,631,010	**99,631,010**	146,865,787	149,494,723
Assets for which fair values are disclosed:				
Loans and Receivables				
Cash in banks	**19,062**	**19,062**	33,748	33,748
	19,062	**19,062**	33,748	33,748
Total Financial Assets	**₱99,650,072**	**₱99,650,072**	₱146,899,535	₱149,528,471
Liabilities for which fair values are disclosed:				
Other Financial Liabilities				
Accrued expenses and other liabilities	**₱10,120**	**₱10,120**	₱4,579	₱4,579

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

The fair value of financial instruments classified as financial assets at FVOCI that are actively traded in organized exchange or active markets is determined by reference to quoted market or broker bid prices, at the close of business on the reporting date. For units in open-ended investment companies and mutual funds, fair value is by reference to published net asset value per share.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The table below shows the fair value of the Company's financial and nonfinancial assets as of December 31:

	2022	2021
Level 1		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL	**₱3,101,415,946**	₱4,769,939,609
Financial assets at FVOCI	**5,879,575,783**	7,798,471,903
Held under insurance premium fund		
Financial assets at FVTPL	**44,715,055**	31,973,638
	₱9,025,706,784	₱12,600,385,150

(Forward)

	2022	2021
Level 2		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL	**₱1,122,357,038**	₱1,289,335,926
Financial assets at FVOCI	**840,816,103**	938,972,941
Not held in trust funds	**-**	
Financial assets at FVTPL	**106,667,032**	109,452,340
Investment securities at amortized cost	**-**	-
Held under insurance premium fund		
Financial assets at amortized cost	**54,915,955**	114,892,149
	₱2,124,756,128	₱2,452,653,356
Level 3		
Service assets		
Held in trust funds (Note 10)	**₱4,690,142,656**	₱4,898,379,061
Not held in trust funds (Note 13)	**4,663,747,394**	4,280,495,146
Investment Properties		
Held in trust funds (Note 10)	**1,025,529,000**	1,025,529,000
Held under insurance premium fund (Note 11)	**41,851,000**	40,629,000
	₱10,421,270,050	₱10,245,032,207

Financial Risk
The Company is exposed to financial risk through its financial assets, financial liabilities, and pre-need liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its pre-need contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

To mitigate these risks and to assure the planholders of the adequacy of the funds to meet maturing obligations, the pre-need trust funds are managed by trustee banks, as required by the IC. Investing activities of trustee banks are guided by the investment regulations of the IC. On a regular basis, the trustee banks report their fund performance and recommended investment strategies to the Investment Committee. The Investment Committee approves investment strategies that are consistent with the internal guidelines and policies of the Company.

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

The Company manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties and industry segments, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company, through its trustee banks, secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers.

The trustee banks employ a credit review process to assess credit quality and to establish exposure limits to avoid over-concentration of credits. These are presented to the Investment Committee and provide the trustee banks the investment parameters.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivables from them to reduce the risk of doubtful debts. Likewise, deductions from agents' commissions and bonuses and other cash incentives are made to establish bond reserves. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the plan contract on the expiry of which the plan is either paid up or terminated.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position before considering gross effects of collateral or other credit enhancements except for Cash Facility Loan wherein the Plan Termination Value of collateralized plan is sufficient or more than enough to pay the loan when the loan was approved including the entire interest for the paying period which is already deducted upon payment of the loan proceeds.

Assets Not Held in Trust Funds

	2022	2021
Loans and Receivables:		
Cash and cash equivalents (excluding cash on hand)	**₱717,811,531**	₱502,262,924
Cash facility loans	**31,014,182**	70,225,994
Due from related parties	**28,979,314**	58,254,603
Receivable from credit card companies	**18,375,757**	15,635,124
Receivable from trustee bank	**12,587,546**	7,406,761
Advances to officers and employees	**5,266,987**	4,589,240
Advances to agents and others	**4,108,451**	4,044,336
Advances to suppliers	**1,834,812**	–
Interest receivable (included under 'Prepayments and accrued income')	**1,819,554**	1,351,224
Other receivables	**6,684,376**	26,554,162
Financial Assets:		
Financial assets at FVTPL	**106,667,032**	109,452,340
Other assets:		
Deposits (included under 'Prepayments and accrued income')	**852,909**	–
	₱936,002,451	₱799,776,708

Assets Held in Trust Funds

	2022	20220
Loans and Receivables:		
Cash and cash equivalents	**₱1,028,671,730**	₱1,701,113,756
Receivables	**1,829,151,247**	66,054,720
Accrued income	**276,652,897**	80,558,259
Financial Assets:		
Financial assets at FVTPL	**4,223,772,984**	6,059,275,535
Financial assets at FVOCI	**6,720,391,886**	8,737,444,845
	₱14,078,640,744	₱16,644,447,115

Assets under Insurance Premium Fund

	2022	20210
Loans and Receivables:		
Cash in banks	**₱19,062**	₱33,748
Financial Assets:		
Financial assets at FVTPL	**44,715,055**	31,973,638
Financial assets at amortized cost	**54,915,955**	114,892,149
	₱99,650,072	₱146,899,535

For cash facility loans, the termination value of the plan as of loan date may be applied against the outstanding loan balance as payment for the entire loan, inclusive of interest, penalty and other additional charges without need of prior demands.

Credit quality
As of December 31, 2021 2022 and 20210, the financial assets are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date. The Company only invests in high grade financial assets.

In coordination with the Company's trustee banks, the Company determines the credit quality of its investments using the credit rating of the IC, as well as the ratings provided by private credit rating agencies.

The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating												
Investment Grade (High grade)	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3
Non-Investment Grade (Standard grade)	B1	B2	B3	Caa1	Caa2	Caa3	Ca1	Ca2	Ca3	C1	C2	C3	
Impaired (Substandard grade)	D												

The Company classifies its credit risk exposure as investment grade and non-investment grade. The Company uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade	Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.
Non-investment grade	Rating given to borrowers and counterparties who possess above average capacity to meet its obligations.

The tables below provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

Assets Not Held in Trust Funds

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan s and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱823,074,960**	**₱–**	**₱–**	**₱829,275,106**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	**4,396,286**	**4,396,286**
	823,074,960	**–**	**4,396,286**	**833,671,392**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**106,667,032**	–	–	**106,667,032**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	106,667,032	–	–	**106,667,032**
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**–**	–	–	**–**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	**–**
	₱929,741,992	**₱–**	**₱4,396,286**	**₱940,338,423**

**Includes cash and cash equivalents, other receivables, refundable deposits and interest receivable*

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Loan s and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱673,983,440	₱–	₱–	₱673,983,440
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	16,710,978	16,710,978
	673,983,440	–	16,710,978	690,694,418
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	109,452,340	–	–	109,452,340
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	109,452,340	–	–	109,452,340
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	–	–	–	–
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	–
	₱783,435,780	₱–	₱16,710,978	₱800,146,758

Assets Held in Trust Funds

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱3,134,475,874**	**₱–**	**₱–**	**₱3,134,475,874**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	3,134,475,874	–	–	**3,134,475,874**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**4,223,772,984**	–	–	**4,223,772,984**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	4,223,772,984	–	–	**4,223,772,984**
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	**6,720,391,886**	–	–	**6,720,391,886**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	6,720,391,886	–	–	**6,720,391,886**
	₱14,078,640,744	**₱–**	**₱–**	**₱14,078,640,744**

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱1,847,726,735	₱–	₱–	₱1,847,726,735
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	1,847,726,735	–	–	1,847,726,735
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	6,059,275,535	–	–	6,059,275,535
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	6,059,275,535	–	–	6,059,275,535

(Forward)

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	₱8,737,444,845	₱–	₱–	₱8,737,444,845
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	8,737,444,845	–	–	8,737,444,845
	₱16,644,447,115	₱–	₱–	₱16,644,447,115

**Includes cash and cash equivalents and accrued income.*

Assets Held under Insurance Premium Fund

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	**₱19,062**	**₱–**	**₱–**	**₱19,062**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	19,062	**–**	**–**	**19,062**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**44,715,055**	**–**	**–**	**44,715,055**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	44,715,055	**–**	**–**	**44,715,055**
	₱99,650,072	**₱–**	**₱–**	**₱99,650,072**
Financial assets at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**54,915,955**	**–**	**–**	**54,915,955**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	54,915,955	**–**	**–**	**54,915,955**
	₱99,650,072	**₱–**	**₱–**	**₱99,650,072**

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	₱33,748	₱–	₱–	₱33,748
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	33,748	–	–	33,748
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	9,280,667	–	–	9,280,667
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	9,280,667	–	–	9,280,667
	₱9,314,415	₱–	₱–	₱9,314,415

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

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

- A liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the top management. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets and liabilities, in order to ensure sufficient funding available to meet pre-need obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet claims and surrenders.

Cash and cash equivalents, short-term investments, financial assets at FVTPL and financial assets at FVOCI are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. Financial assets at FVOCI could be sold when needed in order to meet the Company's short-term liquidity needs.

Maturity Profiles

The tables below summarize the maturity profile of the financial assets and liabilities of the Company based on remaining obligations where maturity profiles are determined on the contractual maturities or estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

2022	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets Not Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents*	**₱718,247,997**	₱–	₱–	₱–	₱–	**₱718,247,997**
Cash facility loans	**31,014,182**	–	–	–	–	**31,014,182**
Due from related parties	**28,077,472**	–	–	–	–	**28,077,472**
Receivable from credit card companies	**18,375,757**	–	–	–	–	**18,375,757**
Receivable from trustee bank	**12,587,546**	–	–	–	–	**12,587,546**
Advances to officers and employees	**2,471,357**	**2,795,629**	–	–	–	**5,266,986**
Advances to agents and others	**4,108,451**	-	–	–	–	**4,108,451**
Interest receivable (included under Prepayments and accrued income')	**1,819,554**	–	–	–	–	**1,819,554**
Advances to suppliers	**1,834,813**	–	–	–	–	**1,834,813**
Other receivables	**7,586,217**	–	–	–	–	**7,586,217**
Financial assets:						
Financial assets at FVTPL	**106,667,032**	–	–	–	–	**106,667,032**
	₱932,790,378	**₱2,795,629**	₱–	₱–	₱–	**₱935,586,007**
Assets Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents	**₱1,028,671,731**	₱–	₱–	₱–	₱–	**1,028,671,731**
Receivable	**1,829,151,247**	–	–	–	–	**1,829,151,247**
Accrued income	**276,652,897**	–	–	–	–	**276,652,897**
Financial assets						
Financial assets at FVTPL	**4,223,772,984**	–	–	–	–	**4,223,772,984**
Financial assets at FVOCI	**326,742,394**	**1,517,508,098**	**2,062,534,250**	**2,813,607,144**	–	**6,720,391,886**
	₱7,684,991,255	**₱1,517,508,098**	**₱2,062,534,250**	**₱2,813,607,144**	₱–	**₱14,078,640,745**
Assets under Insurance Premium Fund						
Loans and receivables:						
Cash in banks	**₱19,062**	₱–	₱–	₱–	₱–	**₱19,062**
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	**44,715,055**	–	–	–	–	**44,715,055**
Financial assets at amortized cost	–	**54,915,955**	–	–	–	**54,915,955**
	₱44,734,117	**₱54,915,955**	₱–	₱–	₱–	**₱99,650,072**

(Forward)

2022	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	**₱4,293,954,559**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,293,954,559**
Accounts payable, payors' deposits and others	**535,491,052**	**–**	**–**	**–**	**–**	**535,491,052**
Contract liabilities	**406,932,852**	**–**	**–**	**–**	**–**	**406,932,852**
Counselors' bond reserves	**25,108,232**	**–**	**–**	**–**	**–**	**25,108,232**
Accrued expenses	**18,178,956**	**–**	**–**	**–**	**–**	**18,178,956**
Due to related parties	**5,062,301**	**–**	**–**	**–**	**–**	**5,062,301**
Deposits on cash facility loans	**5,600,674**	**–**	**–**	**–**	**–**	**5,600,674**
Due to insurer	**1,346,138**	**–**	**–**	**–**	**–**	**1,346,138**
	₱5,291,674,763	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,291,674,763**
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	**₱149,576,099**	**₱–**	**₱–**	**₱–**	**₱–**	**₱149,576,099**
Liabilities under Insurance Premium Fund	**10,118**	**–**	**–**	**–**	**–**	**10,118**
Accrued expenses and other liabilities	**₱149,586,217**	**₱–**	**₱–**	**₱–**	**₱–**	**₱149,586,217**

2021

	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Assets Not Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents*	₱502,845,870	₱–	₱–	₱–	₱–	₱502,845,870
Cash facility loans	70,225,994	–	–	–	–	70,225,994
Due from related parties	58,254,603	–	–	–	–	58,254,603
Receivable from credit card companies	15,635,124	–	–	–	–	15,635,124
Receivable from trustee bank	7,406,761	–	–	–	–	7,406,761
Advances to officers and employees	2,345,373	2,243,867	–	–	–	4,589,240
Advances to agents and others	3,992,459	51,877	–	–	–	4,044,336
Interest receivable (included under Prepayments and accrued income')	1,351,224	–	–	–	–	1,351,224
Advances to suppliers	–	–	–	–	–	–
Other receivables	26,554,162	–	–	–	–	26,554,162
Financial assets:						
Financial assets at FVTPL	109,452,340	–	–	–	–	109,452,340
	₱798,063,910	₱2,295,744	₱–	₱–	₱–	₱800,359,654
Assets Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents	₱1,701,113,756	₱–	₱–	₱–	₱–	₱1,701,113,756
Receivable	66,054,720	–	–	–	–	66,054,720
Accrued income	80,558,259	–	–	–	–	80,558,259
Financial assets						
Financial assets at FVTPL	6,059,275,535	–	–	–	–	6,059,275,535
Financial assets at FVOCI	2,595,714,559	2,032,534,119	1,433,810,655	3,060,617,017	–	9,122,676,350
	₱10,502,716,829	₱2,032,534,119	₱1,433,810,655	₱3,060,617,017	₱–	₱17,029,678,620
Assets under Insurance Premium Fund						
Loans and receivables:						
Cash in banks	₱33,748	₱–	₱–	₱–	₱–	₱33,748
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	31,973,638	–	–	–	–	31,973,638
Financial assets at amortized cost	69,328,029	69,159,122	–	–	–	138,487,151
	₱101,335,415	₱69,159,122	₱–	₱–	₱–	₱170,494,537
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	₱5,745,144,825	₱–	₱–	₱–	₱–	₱5,745,144,825
Accounts payable, payors' deposits and others	489,148,345	–	–	–	–	489,148,345
Contract liabilities	334,403,923	–	–	–	–	334,403,923
Counselors' bond reserves	28,425,688	–	–	–	–	28,425,688
Accrued expenses	25,523,437	–	–	–	–	25,523,437
Due to related parties	22,825,622	–	–	–	–	22,825,622
Deposits on cash facility loans	5,472,498	–	–	–	–	5,472,498
Due to insurer	1,385,158	–	–	–	–	1,385,158
	₱6,652,329,496	₱–	₱–	₱–	₱–	₱6,652,329,496

(Forward)

	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	₱46,348,040	₱–	₱–	₱–	₱–	₱46,348,040
Liabilities under Insurance Premium Fund	4,583	–	–	–	–	4,583
Accrued expenses and other liabilities	₱46,352,623	₱–	₱–	₱–	₱–	₱46,352,623

**Includes future interest*

The following table shows the maturity profile of PNR and IPR based on the estimated timing of the net cash outflows using the recognized liability amounts:

2022

	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
PNR	**₱1,130,249,871**	**₱2,138,255,666**	**₱2,140,875,868**	**₱8,320,953,209**	**₱13,730,334,614**
IPR	**1,806,323**	**9,386,995**	**16,713,997**	**175,245,213**	**203,152,528**
	₱1,132,056,194	**₱2,147,642,661**	**₱2,157,589,865**	**₱8,496,198,422**	**₱13,933,487,142**

2021

	Up to a year	1-3 years	3-5 years	Over 5 years	Total
PNR	₱264,081,284	₱3,750,061,084	₱4,177,806,067	₱7,885,552,184	₱16,077,500,619
IPR	607,288	14,262,826	31,686,520	180,167,081	226,723,715
	₱264,688,572	₱3,764,323,910	₱4,209,492,587	₱8,065,719,265	₱16,304,224,334

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Company's exposure to market risk:
- The trustee banks take positions in debt and other fixed income securities. The trustee banks' risk management activities are aimed at optimizing interest income, managing duration and portfolio diversification across various tenors. The trustee banks monitor portfolio positions and facilitate strategy formulation.
- A market risk policy setting out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to top management. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Asset allocation and portfolio limit structure to ensure that assets back specific planholders liabilities and those assets are held to deliver income and gains for planholders which are in line with expectations of the planholders.
- Stipulated diversification benchmarks by type of instrument.

Cash and cash equivalents, short-term investments and AFS equity securities are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. AFS equity securities could be sold when needed in order to meet the Company's short-term liquidity needs.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine Pesos and its exposure to foreign exchange risk arises primarily with respect to the United States Dollar.

The Company's financial assets are denominated in the same currencies as its liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign currency exchange rate risk arises from recognized assets and liabilities denominated in currencies other than those in which liabilities are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange rate risk as of December 31:

	2022		2021	
	USD	**PHP**	USD	PHP
Assets				
Cash and cash equivalents	**$1,111,299**	**₱61,960,470**	**$483,174**	**₱24,641,391**
Financial assets	**4,636,472**	**258,506,481**	**6,688,643**	**341,114,104**
	$5,747,771	**₱320,466,951**	**$7,171,817**	**₱365,755,495**

The exchange rates used to restate the Company's US Dollar-denominated assets and liabilities as of December 31, 2022 and 2021 follow:

	2022	**2021**
US Dollar - Philippine Peso exchange rate	**P55.755 to US$1.00**	P50.999 to US$1.00

The analysis below is performed for the effect of a reasonably possible movement of the currency rate against the Philippine Peso with all other variables held constant, on profit or loss. There is no other impact on the Company's other comprehensive income other than those already affecting profit or loss.

2022

Change in Exchange Rates	**Impact on Income Before Income Tax Increase (decrease)**
9.33%	₱29,899,567
-9.33%	(29,899,567)

2021

Change in Exchange Rates	Impact on Income Before Income Tax Increase (decrease)
0.89%	₱3,243,741
-0.89%	(3,243,741)

The Company determined the reasonably possible change in foreign currency using the three (3) years volatility of the USD to PHP.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in

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

2022

	Range of Interest Rates	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Loans and receivables:						
Held under insurance premium fund	**0%-0.25%**	**₱19,062**	**₱–**	**₱–**	**₱–**	**₱19,062**
Held in trust funds	**0.25%-2.50%**	**1,028,671,731**				**1,028,671,731**
Cash and cash equivalents	**1.75 %-2.50%**		**–**	**–**	**–**	**-**
Not held in trust funds:						
Cash and cash equivalents	**1.75%-2.50%**	**717,826,533**	**–**	**–**	**–**	**717,826,533**
Cash facility loan	**15.00%**	**31,014,182**	**–**	**–**	**–**	**31,014,182**
Financial asset- debt securities:						
Held in trust funds	**1.63%-11.25%**	**326,742,394**	**1,517,508,098**	**2,062,534,250**	**2,813,607,144**	**6,720,391,886**
Held under insurance premium fund	**6.73%**	**–**	**54,915,955**	**–**	**–**	**54,915,955**
		₱2,104,273,902	**₱1,572,424,053**	**₱2,062,534,250**	**₱2,813,607,144**	**₱8,552,839,349**

2021

	Range of Interest Rates	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Loans and receivables:						
Held under insurance premium fund	0.25%-2.50%	₱33,751	₱–	₱–	₱–	₱33,751
Held in trust funds	0.25%-2.50%	1,640,558,815				1,640,558,815
Cash and cash equivalents	0.25%-2.50%		–	–	–	-
Not held in trust funds:						
Cash and cash equivalents	1.75%-2.50%	502,277,924	–	–	–	502,277,924
Cash facility loan	15.00%	70,225,994	–	–	–	70,225,994
Financial asset- debt securities:						
Held in trust funds	1.63%-11.25%	2,547,501,599	1,938,485,805	1,409,273,264	2,854,168,750	8,749,429,418
Not held in trust funds	6.73%	–	114,892,149	–	-	114,892,149
		₱4,760,598,083	₱2,053,377,954	₱1,409,273,264	₱2,854,168,750	₱11,077,418,051

The analysis below is performed for reasonably possible movement of the interest rates (due to changes in fair value of financial assets at FVOCI) with all other variables held constant, showing the impact on equity.

2022

Change in Yield Rate	Impact on Equity Increase (Decrease)
+1%	**264,587,015**
-1%	**(280,694,349)**

2021

Change in Yield Rate	Impact on Equity Increase (Decrease)
+1%	**(₱274,459,676)**
-1%	**300,148,428**

Price risk
The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market.

Based on the sensitivity of the financial assets to movements in the benchmark index and portfolio risk index, +/-4.52% change in December 31, 2021 and +/-14.20% change in December 31, 2020 to the index may result in an increase or decrease in equity by ₱233,739,374 and ₱985,826,882 in 2021 and in 2020, respectively.

The Company determined the reasonably possible change in PSE index using the specific adjusted beta for each equity security for three (3) years.

28. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Company, in its regular conduct of business, has transactions with its related parties consisting primarily of noninterest-bearing advances.

Details of related party transactions follow:

2022

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	**(₱24,000,000)**	**₱–**	**Payable on or before the 10th day of the following month; non-interest bearing**	**Unsecured; unimpaired**
Entities under common control:				
Rosehills Memorial Management Phils, Inc.				
Management Fees	**(987,878)**	**(123,650)**	**Payable within 30 days**	**Unsecured; unimpaired**
Commission on the sale of memorial lots and pre-need plans	**(54,090,152)**	**(667,532)**	**Non-interest bearing**	**Unsecured; unimpaired**
Sale of Pre-need Plans	**13,962,496**	**–**	**Non-interest bearing**	**Unsecured; unimpaired**

(Forward)

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Philhealthcare, Inc. (Philcare)				
Collections arrangement, legal share and rent income	**₱4,886,066**	**–**	**30 days; non-interest bearing**	**Unsecured; unimpaired**
Charges to PLDT and IT	**(1,334,667)**	**(1,334,667)**	**30 days; non-interest bearing**	**Unsecured; unimpaired**
Advances made for PLDT leased lines, condominium dues	**17,199,770**	**-**	**30 days; non-interest bearing**	**Unsecured; unimpaired**
Payment of healthcard for employees	**(6,220,633)**	**–**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**
Rental Deposit Rent Expense	**(11,937,713)**	**5,519,420**		
PhilsFirst Insurance				
Collections arrangement	**–**		**Due and demandable, non-interest bearing**	**Unsecured; unimpaired**
Advances made for rent and utilities	**–**	**–**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**
Legal share	**370,755**	**271,011**	**30 days upon receipt of billing**	**Unsecured; unimpaired**
Insurance	**(700,000)**	**(94,680)**	**Non-interest bearing**	**Unsecured; unimpaired**
Philife				
Purchases of life insurance – planholders	**(41,445,859)**	**(3,632,953)**	**30 days upon receipt of billing/non interest bearing**	**Unsecured; unimpaired**
Collection/remittance	**–**	**–**		**Unsecured; unimpaired**
Purchase of Group Insurance for employees	**(320,000)–**	**()**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**
Advances made for rent and utilities	**–**	**19,214**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**
Experience Refund	**19,132,062**	**19,132,062**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**
Legal share	**1,965,247**	**-**		**Unsecured; unimpaired**
Comm & Sense				
Rent, utilities & condo dues	**3,135,765**	**4,037,607**	**30 days upon receipt of billing/non-interest bearing**	**Unsecured; unimpaired**

2021

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	(₱24,000,000)	–	Payable on or before the 10th day of the following month; non-interest bearing	Unsecured; unimpaired
Purchase of software	(₱16,919,332)	(₱16,919,332)	Due and demandable, non-interest bearing	Unsecured; unimpaired
Acquisition of 11th Floor	160,000,000	46,200,000		
Subsidiary:				
RMMI				
Sale of group pension plans	–	–		Unsecured; unimpaired
Advances made for shared expenses	–	31,050	Payable on or before 5th of the following mo. Non-interest bearing	Unsecured; unimpaired
Income from shared services	–	–	Payable on or before 5th of the following mo. Non- interest bearing	Unsecured; unimpaired
Commission on the sale of memorial lots	–	–	Non-interest bearing	Unsecured; unimpaired
Entities under common control:				
STI Holdings Services	–	–	Payable on or before 5th of the following mo. Non-interest bearing	Unsecured; unimpaired
Philhealthcare, Inc. (Philcare)				
Collections arrangement, legal share and rent income	–	–	30 days; non-interest bearing	Unsecured; unimpaired
Charges to PLDT and IT	(₱2,297,490)	(₱1,375,620)	30 days; non-interest bearing	Unsecured; unimpaired
Advances made for PLDT leased lines, condominium dues	–	2,927,693	30 days; non-interest bearing	Unsecured; unimpaired
Payment of healthcard for employees	(3,617,145)	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Acquisition of 2nd and 12th floor	320,000,000	–		Unsecured; unimpaired
PhilsFirst Insurance				
Collections arrangement	–	330,128	Due and demandable, non-interest bearing	Unsecured; unimpaired
Advances made for rent and utilities	–	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Legal share	–	–	30 days upon receipt of billing	Unsecured; unimpaired
Insurance	(262,124)	(391,254)		Unsecured; unimpaired
Philife				
Purchases of life insurance – planholders	(55,373,100)	(4,139,418)	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Collection/remittance	–	–		Unsecured; unimpaired

(Forward)

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Purchase of Group Insurance for employees	₱–	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Advances made for rent and utilities	–	518,390	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Experience Refund	–	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Legal share	–	–		Unsecured; unimpaired
PhilsFirst Condo				
Charges on utilities and maintenance	(12,148,683)	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Advances for renovation cost	–	2,904,192	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
First Optima Realty Corp.	–	–		
Charges on rent	–	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Global Resources for Outsourced Workers, Inc. (GROW)				
Rental income and Condo dues	2,207,384.52	2,207,385	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Comm & Sense				
Rent & Condo dues	3,135,765	3,135,765	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured, interest free (except as otherwise indicated) and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2022 and 2021.

This assessment is undertaken at each financial year through a review of the financial position of the related party and the market in which the related party operates.

Transactions with Retirement Plans

The Company's retirement plan is in the form of a trust administered by a trustee bank. The carrying value of the fund which approximates its fair value is as follows:

	2022	2021
Cash	**₱316**	₱4,030
Investment funds	**105,534,319**	110,904,884
Others:		
Receivables	**883,718**	1,084,823
Trust fees and other payables	**(126,650)**	(1,725,119)
	₱106,291,703	₱110,268,618

Remunerations of Key Management

Key management personnel of the Company include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱30,837,320.90 and ₱28,132,482 in 2022 and 2021, respectively.

29. Compliance with PNUCA

As provided by the rules and regulations of PNUCA, the following information is disclosed:

	2022	2021
Total premium collections	**₱809,760,510**	₱797,094,449
Number of lapsed plans	**503**	2,406
Number of lapsed plans reinstated	**147**	218
Contract price of lapsed plans	**80,126,259**	305,021,721
Contract price of lapsed plans reinstated	**25,707,482**	42,272,773

30. Leases and Commitments

Operating lease commitments - Company as Lessor

The Company entered into various noncacellable lease agreements covering its Branch offices in various locations with terms of between one (1) and (5) years.

Some leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

Rent expenses charge against current operations (included in 'General and Administrative' expenses in the statements of income) amounted to ₱12,054,317 and ₱387,843 in 2022 and 2021, respectively. Rent expenses in 2022 and 2021 pertain to expenses from short – term lease and leases of low value assets.

Operating lease commitments – Company as a lessee
The Company has entered into operating leases on its investment property to its affiliates and thid party. Income from these leases is included in the "Interest and other income" account in the statement of income.

Future minimum rentals receivable under noncancellable operating leases as of December 31, 2022 and 2021 follows:

	2022	2021
Within one (1) year	**₱1,500,081**	₱1,636,454
More than one (1) year	**5,022,547**	7,504,986
	₱6,522,628	₱9,141,440

31. Contingencies

Tax assessments for taxable year 2009
Last December 6, 2013, the Company received a Preliminary Assessment Notice (PAN) from the BIR dated November 29, 2013 covering calendar year 2009 for alleged deficiency VAT, income withholding taxes and documentary stamp taxes totaling ₱425,032,469 (inclusive of interest and penalties as of December 31, 2013).

The Company protested the assessment and submitted its reply to the BIR on December 19, 2013. On December 26, 2013, however, the Company received a Formal Letter of Demand from the BIR on the alleged deficiency taxes of taxable year 2009 with the same amount assessed as indicated in the PAN.

On January 24, 2015, the Company, through its legal counsel, filed a protest letter on the findings noted by the BIR and requested a reconsideration of such findings.

On June 29, 2016, the Company received a Final Decision on the Disputed Assessment (FDDA) from the BIR in response to the Company's protest letter dated January 24, 2015 in relation to the Company's tax assessment for taxable year 2009. Based on the FDDA, the amount of tax assessment was reduced from ₱425,032,469 to ₱416,578,540.

Details follow:

Tax type /Penalty	Amount of Assessment (Inclusive of penalties)
Income tax	₱122,024,649
Value added tax (VAT)	294,302,650
Documentary stamp tax (DST)	251,241
Total	₱416,578,540

On July 29, 2016, the Company filed a petition for Review with the Court of tax Appeals (CTA) to reverse and set aside the FDDA of the Commissioner of Internal Revenue (CIR) finding the Company liable for deficiency taxes as shown above.

On November 10, 2016, the Company received the CIR's response on the protest letter dated November 3, 2016 in which the Company immediately responded with a reply on November 21, 2016 and filed the judicial affidavits on February 10, 2017. Likewise, the Company has filed the Pre-Trial Brief on February 13, 2017.

A Petition for Review against the alleged deficiency taxes on the disputed assessment has already been submitted to the CTA by the independent CPA last September 11, 2017. Based on the said Petition, the recomputed deficiency taxes, inclusive of penalties, are as follows:

Tax type	Amount
Income tax	₱16,230,341
Value added tax (VAT)	2,446,956
Documentary stamp tax (DST)	251,241
Total	₱18,928,538

Based on the letter provided by the Company's external legal counsel last March 2, 2018, the latter believes that there is a strong legal argument in favor of the Company considering:

- The assessment was issued beyond 3-year prescriptive period, and there was no valid waiver considering certain defects in its execution;
- The BIR did not conduct a fair audit, and did not consider the Company's explanations in the administrative investigation, constituting a violation of the Company's right to administrative due process; and

- Trust fund contributions of the Company are not subject to VAT as established by legislative history on the 'gross receipts' of pre-need companies and supported by jurisprudence. In particular, the Supreme Court in the 2017 case of Medicard Philippines, Inc. vs. Commisioner of Internal Revenue has recognized that money held in trust are not taxable receipts of the taxpayer but earmarked by law for a specific purpose.

On March 6, 2019, the BIR presented a Revenue Officer as its only witness before the CTA. Based on the update provided by the Company's external legal counsel, the following points were established during the hearing:

- There are recent CTA cases which declare that procedural due process is not satisfied with the mere issuance of PAN without giving the taxpayer an opportunity to respond thereto. If the BIR does not wait for a taxpayer to reply to the PAN nor consider the argument raised therein, the right to due process of the taxpayer is violated.
- The BIR's witness tried to explain to the Court that in any case, Philplans was given the opportunity to contest the FLD. However, there are also CTA decisions which state that the fatal infirmity that attended the issuance of the FLD prior to the lapse of the period to respond to the PAN is not cured thereby.
- The Revenue Officer was also not mentioned in the Letter of Authority ('LOA') to audit Philplans. This is in violation of Section 6 of the Tax Code which provides that every revenue officer must have authority arising from a valid LOA before it conducts the audit of a taxpayer. The Supreme Court has already declared that assessments done by revenue officers without a valid LOA are null and void.

The Company's external legal counsel believes that the above may serve as additional arguments to the Company's Petition for the cancellation of the Final Decision on Disputed Assessment.

On June 17, 2020, the CTA Second Division ruled in favor of the Company and cancelled the FDDA due to failure of the BIR to comply with procedural due process. Specifically, the CTA found that the audit was conducted by a BIR personnel not authorized in the letter of Authority. Thus, the CTA Second Division cancelled the deficiency Income Tax, VAT and DST assessment for calendar year 2009 amounting to ₱416,578,540.

Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2021.

On September 1 and September 11, 2020, respectively, BIR's Motion for Reconsideration (MR) and Court of Tax Appeal's (CTA) ordered Philplans to comment on BIR's MR on 21 September 2020. The issues in BIR's MR are purely legal, 1. Whether the defense of lack of LOA can be used, even if it was not raised in the Petition for Review; and 2. Whether Revenue Officer can be deemed without authority to conduct the audit because he was not identified in the LOA, but acted pursuant to a Memorandum of Assignment.

The primary argument of the BIR in its appeal to the CTA En Banc (EB) is that CTA Division ruled in favor of Philplans on the basis that BIR had no Letter of Authority. The BIR is saying the CTA Division cannot rule on the issue of its lack of authority, since Philplans never raised the same in its Petition. Philplans replied as follows:

1. It is established jurisprudence that the court may rule on issues even if not raised by the parties, especially where the factual basis is established in court;
2. Philplans established thru court records that BIR has no authority; and
3. Philplans filed its case in 2016, whereas the CTA based its decision on a 2017 Supreme Court case. Philplans could not have really raised the 2017 case in its 2016 Petition; thus/but the CTA is not prevented from relying on a later doctrine.

The CTA EB Resolution set the referred case for mediation on February 22, 2021. The mediation proceedings give the BIR and the taxpayer the opportunity to discuss possible settlement of the case. This is consistent with the Tax Code, which allows for compromise at 40% of the basic tax, on the ground of doubtful validity of the assessment.

In the case of Philplans, the basic deficiency assessment and the possible compromise/ settlement amount acceptable to the BIR is as follows:

	Basic Deficiency Assessment	40% Compromise
Income Tax	₱70,007,854	₱28,003,142
VAT	128,693,503	51,477,401
DST	114,874	45,950
Total	₱198,816,231	₱79,526,493

To note, the CTA Division decided in favor of Philplans and cancelled the assessment because of absence of the Letter of Authority (LOA) in favor of the BIR officers who conducted the audit. Jurisprudence has been consistent on the requirement of a valid LOA for there to be a valid assessment.

During the mediation hearing on February 22, 2021, the mediator asked the parties (*i.e.,* BIR and Philplans) if they are willing to enter into a compromise. The management of Philplans proceeded with the case and did not enter into a compromise/settlement with the BIR.

On November 09, 2021, the CTA En Banc, rendered its decision affirming the CTA Second Division's Decision in favor of the Company. Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2022 (see Note 33).

On February 21, 2022, the BIR filed a motion for reconsideration regarding the decision dated November 9, 2021, and was denied for lack of merit dated March 29, 2022.

32. **Current and Non-current Classification**

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

2022

	Current	**Non-current**	**Total**
Assets			
Cash and cash equivalents	**₱717,826,531**	**₱–**	**₱717,826,531**
Financial assets:			
Financial assets at FVTPL	**106,667,032**	**–**	**106,667,032**
Loans and receivables-net	**101,659,509**	**2,795,630**	**104,455,139**
Prepayments and accrued income	**15,055,142**	**–**	**15,055,142**
Investments in trust funds	**7,535,415,152**	**11,087,991,609**	**18,623,406,761**
Insurance premium fund	**106,102,381**	**144,033,746**	**250,136,127**
Property and equipment	**–**	**13,751,244**	**13,751,244**
Service assets - memorial lots	**–**	**4,663,747,394**	**4,663,747,394**
Other assets	**–**	**85,540,153**	**85,540,153**
Net pension asset	**–**	**15,265,462**	**15,265,462**
Total Assets	**₱8,582,725,747**	**₱16,013,125,238**	**₱24,595,850,985**
Liabilities			
Accrued expenses and other liabilities	**₱5,330,138,870**	**₱–**	**₱5,330,138,870**
Pre-need reserves	**1,130,249,871**	**12,600,084,743**	**13,730,334,614**
Other reserves	**1,806,323**	**201,346,205**	**203,152,528**
Deferred tax liability	**–**	**916,175,322**	**916,175,322**
Total Liabilities	**₱6,462,195,064**	**₱13,717,606,270**	**₱20,179,801,334**

2021

	Current	Non-current	Total
Assets			
Cash and cash equivalents	₱502,277,924	₱–	₱502,277,924
Financial assets:			
Financial assets at FVTPL	109,452,340	–	109,452,340
Loans and receivables-net	167,703,498	2,295,744	169,999,242
Prepayments and accrued income	9,685,958	–	9,685,958
Investments in trust funds	7,812,083,863	14,008,058,603	21,820,142,466
Investment in separate trust fund	34,653,730	1,699,050,170	1,733,703,900
Insurance premium fund	91,974,453	160,462,348	252,436,801
Property and equipment	–	9,787,474	9,787,474
Service assets - memorial lots	–	4,280,495,146	4,280,495,146
Other assets	–	86,348,439	86,348,439
Net pension asset	–	14,027,582	14,027,582
Total Assets	₱8,727,831,766	₱20,260,525,506	₱28,988,357,272
Liabilities			
Accrued expenses and other liabilities	₱6,751,537,957	₱–	₱6,751,537,957
Pre-need reserves	264,081,284	15,813,419,335	16,077,500,619
Other reserves	607,288	226,116,427	226,723,715
Deferred tax liability	–	1,144,600,012	1,144,600,012
Total Liabilities	₱7,016,226,529	₱17,184,135,774	₱24,200,362,303

33. Events after the reporting period

Adjusting post year-end events that provide additional information about the Company's position at the end of the reporting period are reflected in the Company's financial statements. Non-adjusting post year-end events are disclosed in the notes when material.

On April 24, 2023, the Company received a court decision from the Supreme Court that the Petition for review on Certiorari filed by the Commissioner of Internal Revenue is denied. The decision, dated November 9, 2021, and the resolution, dated March 29, 2022, of the Court of Tax Appeals En Banc in Case No. CTA EB No. 2351 are affirmed (see Note 31).

34. Note to Statement of Cash Flows

As of December 31, 2022 and 2021, details of the Company's non-cash investing activities follow:

	2022	2021
Contribution of service assets - memorial lots (Note 13)	**₱–**	₱299,968,000

As of December 31, 2022 and 2021, the Company recognized an allowance for expected credit losses on the following:

	2022	2021
Cash and cash equivalents (Note 7)	**₱421,464**	₱370,050
Investment securities at amortized cost under Insurance Premium Fund (Note 11)	**84,045**	107,851
Loans and receivables (Note 8)	**4,396,285**	16,710,978
	₱4,901,794	₱17,188,879

35. Approval of Financial Statements

The accompanying financial statements were approved and authorized for release by the Board of Directors on April 28, 2023.

36. Supplementary Information Required under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2022:

Value-Added Tax (VAT)

The Company's services are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net receipts and output VAT declared in the Company's VAT returns follow:

	Net sales/receipts	Output VAT
Taxable sales		
Sales of services	₱427,914,072	₱51,349,689
Others	784,963,523	94,195,623
	1,212,877,595	145,545,312
Exempt sales	410,951,210	–
	₱1,623,828,805	₱145,545,312

The Company has no output VAT arising from commissions and zero-rated sales.

b. Input VAT for 2022 follows:

Balance at January 1	₱2,477,264
Current year's purchases/payments for:	
Services lodged under other accounts	23,363,317
	25,840,581
Claims for tax credit	23,387,405
Balance at December 31	₱2,453,176

Information on the Company's Importations

The Company has no importations during the year since the Company is not involved in importation.

Withholding Taxes

Details of withholding taxes for the year ended December 31, 2022 follows:

Expanded withholding taxes	₱21,336,738
Withholding taxes on compensation and benefits	17,664,084
Final withholding taxes	3,671,255
Withholding VAT	1,246,154
	₱43,918,231

Fringe Benefit Taxes

Fringe benefit taxes for the year ended December 31, 2022 amounted to ₱757,025.

Other Taxes and Licenses

This includes all other taxes, local and national, including licenses and permit fees, and documentary stamp taxes lodged under the caption "Taxes and licenses" account under the "General and administrative expenses" and "Cost of contracts issued" sections in the statements of income.

Details consist of the following:

Cost of contracts issued:	
IC registration fee	₱553,986
Documentary stamp taxes	1,389,872
General and administrative expenses:	
License and permits fees	3,387,797
Real property tax	84,271
Others	264,988
	₱5,680,914