Manulife Financial Plans, Inc.

[A Wholly Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

Financial Statements
December 31, 2022 and 2021

And

Independent Auditor's Report

SGV

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manulife Financial Plans, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Manulife Financial Plans, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the 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 the Company 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 (Philippine GAAP) 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.

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 Philippine GAAP 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.

- 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 basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the financial statements is presented for the purpose 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 Manulife Financial Plans, 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.

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024
PTR No. 9564685, January 3, 2023, Makati City

March 31, 2023

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

STATEMENTS OF FINANCIAL POSITION

	2022	2021
ASSETS		
Cash and cash equivalents (Note 4)	**₱690,997,700**	₱700,502,974
Financial assets at fair value through other comprehensive income (FVOCI) (Note 5)	**692,413,729**	774,941,083
Loans and receivables - net (Note 5)	**50,042,547**	120,623,000
Investments in trust funds (Note 6)	**5,951,205,722**	7,463,773,760
Insurance premium fund (Note 10)	**50,000,000**	50,000,000
Other assets (Note 7)	**13,687,345**	11,392,081
	₱7,448,347,043	₱9,121,232,898
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Note 9)	**₱815,004,937**	₱718,008,142
Due to related parties (Note 16)	**75,964,694**	60,223,727
Pre-need reserves (Notes 2, 3, 6 and 17)	**5,857,503,285**	6,794,004,318
Insurance premium reserves (Notes 2, 3 and 10)	**27,629,419**	33,520,923
	6,776,102,335	7,605,757,110
Equity		
Capital stock (Note 15)	**250,000,000**	250,000,000
Additional paid-in capital	**1,800,000,000**	1,800,000,000
Deficit	**(1,188,060,957)**	(1,173,990,002)
Reserve for fluctuation in value of financial assets at FVOCI (Note 5)	**(127,513,185)**	(7,525,248)
Reserve for fluctuation in value of financial assets at FVOCI held in trust funds (Note 6)	**(62,181,150)**	646,991,038
	672,244,708	1,515,475,788
	₱7,448,347,043	₱9,121,232,898

See accompanying Notes to Financial Statements.

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]
STATEMENTS OF COMPREHENSIVE INCOME

	2022	2021
REVENUES		
Premium revenues (Note 17)	**₱12,785,714**	₱18,446,618
Trust fund income (Note 6)	**287,195,916**	317,573,551
Interest income (Note 11)	**44,894,486**	36,822,566
Other income (Note 11)	**8,814,526**	11,387
	353,690,642	372,854,122
COST OF CONTRACTS ISSUED		
Decrease in pre-need reserves (including trust fund contributions) (Note 6)	**(936,198,773)**	(726,285,083)
Documentary stamp tax and SEC registration fees	**27,644**	53,722
Total cost of contracts issued	**(936,171,129)**	(726,231,361)
Other direct costs and expenses (Note 12)	**1,271,258,637**	1,203,242,668
General, administrative and selling expenses (Note 13)	**23,016,932**	7,715,879
	358,104,440	484,727,186
LOSS BEFORE INCOME TAX	**(4,413,798)**	(111,873,064)
PROVISION FOR INCOME TAX (Note 14)	**9,657,157**	8,321,671
NET LOSS	**(14,070,955)**	(120,194,735)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified to profit or loss in subsequent periods:		
Net changes in fair value of:		
Financial assets at FVOCI held in trust funds (Note 6)	**(709,172,188)**	(731,587,698)
Financial assets at FVOCI not held in trust funds (Note 5)	**(119,987,937)**	(86,165,264)
	(829,160,125)	(817,752,962)
TOTAL COMPREHENSIVE LOSS	**(₱843,231,080)**	(₱937,947,697)

See accompanying Notes to Financial Statements.

MANULIFE FINANCIAL PLANS, INC.

[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Trust Fund Deficit	Reserve for Fluctuation in Value of FVOCI / AFS Financial Assets (Note 5)	Reserve for Fluctuation in Value of FVOCI /AFS Financial Assets Held in Trust Funds (Note 6)	Total
Balances at January 1, 2022	**₱250,000,000**	**₱1,800,000,000**	**(₱1,173,990,002)**	**₱–**	**(₱7,525,248)**	**₱646,991,038**	**₱1,515,475,788**
Net income (loss)	–	–	**21,796,701**	**(35,867,656)**	–	–	**(14,070,955)**
Other comprehensive loss	–	–	–	–	**(119,987,937)**	**(709,172,188)**	**(829,160,125)**
Total comprehensive income (loss)	–	–	**21,796,701**	**(35,867,656)**	**(119,987,937)**	**(709,172,188)**	**(843,231,080)**
Balances at the end of the year before absorption	**250,000,000**	**1,800,000,000**	**(1,152,193,301)**	**(35,867,656)**	**(127,513,185)**	**(62,181,150)**	**672,244,708**
Deficiency absorbed by operations	–	–	**(35,867,656)**	**35,867,656**	–	–	–
Balances at December 31, 2022	**₱250,000,000**	**₱1,800,000,000**	**(₱1,188,060,957)**	**₱–**	**(₱127,513,185)**	**(₱62,181,150)**	**₱672,244,708**
Balances at January 1, 2021	₱250,000,000	₱1,800,000,000	(₱1,053,795,267)	₱–	₱78,640,016	₱1,378,578,736	₱2,453,423,485
Transfer from retained earnings to accumulated trust fund earnings	–	–	–	–	–	–	–
	250,000,000	1,800,000,000	(1,053,795,267)	–	78,640,016	1,378,578,736	2,453,423,485
Net income (loss)	–	–	18,389,684	(138,584,419)	–	–	(120,194,735)
Other comprehensive income (loss)	–	–	–	–	(86,165,264)	(731,587,698)	(817,752,962)
Total comprehensive income (loss)	–	–	18,389,684	(138,584,419)	(86,165,264)	(731,587,698)	(937,947,697)
Balances at the end of the year before absorption	250,000,000	1,800,000,000	(1,035,405,583)	(138,584,419)	(7,525,248)	646,991,038	1,515,475,788
Deficiency absorbed by operations	–	–	(138,584,419)	138,584,419	–	–	–
Balances at December 31, 2021	₱250,000,000	₱1,800,000,000	(₱1,173,990,002)	₱–	(₱7,525,248)	₱646,991,038	₱1,515,475,788

See accompanying Notes to Financial Statements

MANULIFE FINANCIAL PLANS, INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.)

STATEMENTS OF CASH FLOWS

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱4,413,798)**	(₱111,873,064)
Adjustments for:		
Decrease in pre-need reserves	**(936,501,032)**	(726,285,083)
Decrease in insurance premium reserves	**(5,891,505)**	(5,845,910)
Provision for credit losses (Notes 5 and 6)	**675,590**	(3,700,614)
Interest income (Note 11)	**(44,894,486)**	(36,822,566)
Trust fund income (Note 6)	**(287,195,916)**	(317,573,551)
Operating loss before changes in operating assets and liabilities	**(1,278,221,147)**	(1,202,100,788)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**14,689,673**	(1,546,814)
Other current assets	**(1,693,602)**	742,802
Increase in:		
Due to related parties	**15,740,967**	21,715,033
Accrued expenses and other liabilities	**96,996,796**	113,038,272
Net cash used in operations	**(1,152,487,313)**	(1,068,151,495)
Income taxes paid	**(9,657,157)**	(8,321,671)
Interest received on overdue premiums	**87,130**	–
Net cash used in operating activities	**(1,162,057,340)**	(1,076,473,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Trust fund withdrawals (Note 6)	**1,157,736,955**	1,258,109,901
Trust fund contributions (Note 6)	**(11,930,000)**	(20,709,571)
Withdrawal from insurance premium fund (Note 4)	**–**	254,588,739
Acquisition of Financial assets at FVOCI (Note 5)	**(40,877,500)**	(24,118,790)
Interest received	**47,622,611**	40,133,344
Net cash provided by investing activities	**1,152,552,066**	1,508,003,623
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(9,505,274)**	431,530,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**700,502,974**	268,972,517
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱690,997,700**	₱700,502,974

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Manulife Financial Plans, Inc. (the Company), a wholly-owned subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines or the Parent Company), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 5, 2000 and started commercial operations on August 25, 2000. The Company is engaged in the business of developing and marketing pre-need education and pension plans. The ultimate parent of the Company is Manulife Financial Corporation (MFC), a company incorporated in Canada and is listed in Toronto Stock Exchange, Hong Kong Exchange, New York Stock Exchange and the Philippine Stock Exchange.

On September 12, 2017, the Company entered into an Investment Management Agreement with Manulife Investment Management and Trust Corporation (MIMTC), to avail of its services relative to the management and investment of the Company's investible funds.

On December 15, 2017, the Company (the Trustor) entered into a Trust Agreement for its Pension and Education block of business with MIMTC (the Trustee), whereby the Trustor will establish 5 Trust Fund accounts for the benefit of its planholders and or/designated beneficiary/ies. The Trust Fund accounts were created on January 15, 2018.

On July 5, 2018, the Board of Directors (BOD) approved the change in principal place of business of the Company to 10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City. The Company officially moved to this address on February 26, 2019. Prior to such date, the registered office address of the Company was 16th Floor, LKG Tower, 6801 Ayala Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the BOD on March 31, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI), 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.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA)* and applicable Insurance Commission (IC or the Commission) Circular Letters and accounting requirements.

Republic Act No. 9829
On December 3, 2009, the Republic Act (RA) No. 9829, *An Act Establishing the Pre-need Code of the Philippines,* was approved and known as the "Pre-need Code of the Philippines" (the Code). 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 Insurance Commission.

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

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

- *Limitations of different investments of the trust fund.* 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 Insurance Commission shall have the authority to make, amend and rescind such accounting rules and regulations applicable for pre-need companies. In the absence of new accounting rules, amendments to or rescission of the current accounting rules authorized by the Insurance Commission, the Company continues to follow the amended PNUCA and the applicable IC Circular Letters.

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

Pre-need Rule 31, As Amended, dated May 10, 2007
The Company applied the provisions of the Amended Rule on its financial statements (see Notes 6, 10 and 17).

The Amended Rule provides that for presentation purposes:

a. The Pre-need Reserves (PNR) calculated under the Amended Rule are presented in the statement of financial position as PNR account and changes in PNR are included in the 'Cost of contracts issued' section in the profit or loss in the statement of comprehensive income.
b. The Insurance Premium Reserves (IPR) are presented in the liability section of the statement of financial position.
c. The Company shall present in the statement of financial position, the corporate assets that are restricted to cover payment of insurance premiums after the paying period of the pre-need plan as a separate line item as "Insurance Premium Fund". This shall be at least equal to the amount computed for the IPR.

d. Documentary stamp tax and SEC registration fees are included in the 'Cost of contracts issued' section in the profit or loss in the statement of comprehensive income.
e. Insurance expense, basic commissions, other commission such as overrides, bonuses and other expenses that constitute direct cost of contracts issued are included in the 'Other direct costs and expenses' account in the profit or loss in the statement of comprehensive income.

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 the Pre-need rule 31, as Amended, dated May 10, 2007 (the Amended Rule).

The more significant provisions of this bulletin are as follows:

Pre-need Reserves
The Pre-need Reserves (PNR) or the reserve for education plan, life plan and pension plan cover the liabilities for education plan, life plan and pension plan. The PNR represents present value of future pre-need benefits less the present value of future trust fund contributions. The PNR of the three 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.

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 SEC-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
2012 – 2016	8.00%
2017	7.25%
2018	6.50%
2019	6.00%
2020	6.00%
2021	5.90%
2022	6.00%

The Company used the following interest rates for valuation: 6.00% and 5.90% as of December 31, 2022 and 2021, respectively. For Plan-right (2011), the Company used 4.80% as of December 31, 2022 and 2021 (see Note 3).

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 2022 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.

Changes in Accounting Policies and Disclosures
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 financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a 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*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents (including those in 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 months or less from date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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
Financial assets are recognized initially at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Classification and measurement of financial assets
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

a. Financial Assets 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 the 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 outstanding principal amount outstanding.

   Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in profit or loss in the statement of comprehensive income. Gains and losses are recognized in profit or loss in the statement of comprehensive income when these investments are derecognized or impaired, as well as through the amortization process. The ECL is recognized in profit or loss in the statement of comprehensive income under 'Provision for credit losses'. The effects of revaluation of foreign currency-denominated assets are recognized in profit or loss in the statement of comprehensive income.

   The Company classified 'Cash and cash equivalents', 'Loans and receivables' and 'Interest receivable' under 'Other assets' as financial assets at amortized cost.

   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. As of December 31, 2022 and 2021, the Company has not made such designation.

b. Financial assets at FVOCI
   Financial assets at FVOCI consists of debt securities. Debt securities are measured at FVOCI if both of the following conditions are met:

   - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
   - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount outstanding.

   FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI as 'Reserve for fluctuation in value of financial assets at FVOCI'. Interest income and foreign exchange gains and losses are recognized in profit or loss in the statement of comprehensive income in the same manner as for financial assets measured at amortized cost. The ECL calculation for debt instruments at FVOCI is explained in the 'Impairment of financial assets' section below. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss and is recognized as

'Gain (loss) on sale of financial assets at FVOCI' in profit or loss in the statement of comprehensive income.

Reclassification of financial assets
The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Company's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of financial assets
The Company recognizes an ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For cash in banks, debt financial assets at FVOCI, receivable from trustee, receivable from agents, other receivables and accrued interest receivables, the Company applies the general approach in calculating ECL. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

For cash in banks and investment in debt securities, the Company applies the low credit risk simplification. The Company considers a debt financial asset to have low credit risk when its credit risk rating is equivalent to the definition of investment grade. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>'Day 1' Difference</u>
Where the transaction price in a non-active market is different from the fair value based on observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the Company's statement of comprehensive income only when the inputs become

observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Derecognition of Financial Assets and Financial 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 when:

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without a material delay to a third party under a 'pass through' arrangement; or
- The Company has transferred its right 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.

Financial Liability

A financial liability is derecognized when the obligation under the liability expires, is discharged, or cancelled.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Company's statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, thus, the related assets and liabilities are presented gross in the statement of financial position.

Investments in Trust Funds and Insurance Premium Fund

The trust funds' and insurance premium fund's investments in government securities are classified as financial assets at FVOCI. Purchase premiums or discounts on bonds are amortized over the life of the investments using the effective interest rate method.

The net unrealized gain/loss in value of the trust funds' and insurance premium fund's investments are included in the 'Investments in trust funds' and 'Insurance premium fund' accounts, respectively, and is shown as 'Reserve for fluctuation in value of financial assets at FVOCI held in trust funds' and 'Reserve for fluctuation in value of financial assets at FVOCI', respectively, in the equity section of the statement of financial position and statement of comprehensive income.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the 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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 re-assessing 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.

Pre-Need Reserves

PNR for education and pension plans are calculated on the basis of the methodology and assumptions set out in the Amended 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

  a. Provision for termination values applying the inactivity and surrender rate experience of the Company.

  b. 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

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

  On Fully Paid Plans

  a. 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;

b. For those not yet due for payment within the next five (5) years, the reserves is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of the Company.

- The rates of surrender, cancellation, reinstatement, utilization and inflation considered the actual experience of the Company in the last three (3) years.
- The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.
- Based on Company experience, the probability of pre-termination on surrender of fully paid plans is below 5% and therefore considered insignificant. As such, no pre-termination rate was considered in determining the PNR of fully paid plans. The derecognition of liability shall be recorded at pre-termination date.

In 2022 and 2021 , the Company used the discount rates in determining PNR in accordance with IC Circular Letter 23-2012 (see Notes 2 and 3).

<u>IPR</u>
For insurance benefits purchased by the Company, the costs of purchasing such benefits after the installment payment period are also set up as additional liabilities of the Company, recognized as a separate line item as IPR.

In compliance with the Amended Rule, the Company restricts corporate assets at least equal to the amount computed for the IPR to cover payment of insurance premiums after the paying period of the pre-need plans (see Note 10). These restricted corporate assets are presented as a separate line item in the statement of financial position as 'Insurance Premium Fund'.

<u>Equity</u>
Capital stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Deficit represents net accumulated deficit.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized when control of services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Revenue outside the scope of PFRS 15

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

Trust Fund Income
Income generated by the trust fund is presented as 'Trust fund income' in the statement of comprehensive income. The amount of the trust fund income is disclosed in the notes to the financial statements. The portion of the retained earnings representing the trust fund income is automatically restricted to payments of benefits of plan holders and such other related payments as allowed under the Pre-need Rules.

Interest Income
Interest income are recognized in the profit or loss in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate.

Cost of Contracts Issued
Cost of contracts issued includes the following which are presented separately on the face of the statement of comprehensive income:

a. the increase in PNR in the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result of new information or new developments, the amount shall be deducted from the Cost of Contracts Issued of the current period;
b. amount of trust funds contributed during the year; and
c. documentary stamp tax and SEC registration fees.

Other Direct Costs and Expenses
Other direct costs and expenses include the following which are disclosed in the notes to financial statements:

a. basic commissions;
b. other commissions such as overrides and bonuses;
c. insurance;
d. benefit payout;
e. surrenders;
f. termination benefits; and
g. other expenses that constitute direct cost of contracts issued.

Commissions
Commission expenses are charged to operations when incurred.

Selling, General and Administrative Expenses
Selling, general and administrative expenses are expensed as incurred.

Expense Recognition
Expenses are recognized in the profit or loss in the statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss in the statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
Company as lessee
The Company assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

Foreign Currency-Denominated Transactions and Translation
Foreign currency-denominated transactions are initially recorded in Philippine Peso by using the exchange rate based on Bankers Association of the Philippines (BAP) closing rate at the date of transaction.

Foreign currency-denominated monetary assets and liabilities are translated using the exchange rate at the end of the year. Exchange gains or losses arising from translations of foreign currency transactions are credited to or charged against income.

Income Tax
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 substantially enacted as 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 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 liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, excess of minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, MCIT and NOLCO can be utilized, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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, when 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.

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 taxable profit will be available to allow all or part of the deferred tax asset 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 the deferred tax asset to be recovered.

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

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 tax relate to the same taxable entity and the same taxation authority.

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. The expense relating to any provision is presented in the profit or loss in the statement of comprehensive 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 interest expense.

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

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

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendment to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendment to PAS 1, *Clarification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with Philippine GAAP for pre-need companies as set forth in the Amended Rule requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although the estimates and assumptions are based on management's best knowledge and judgment of current facts as of the reporting date, the actual outcome could differ from these estimates. The following presents a summary of these significant judgments, estimates and assumptions.

Estimates
The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Pre-need Reserves and Other Pre-need Reserves
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. In recognizing PNR for educational and pension plans, the general requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on provisioning and specific methodology provided in Note 2 to the financial statements shall be complied with by the Company.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of the provision.

The principal assumptions used in determining the PNR of the Company are shown below.

Interest rates
As of December 31, 2022, the Company used the following interest rates for valuation, all of which are based on the trust fund yield rates:

- 6.000% for all plans except Plans Right 2011

- 4.800% for Plan Right 2011

a. For Currently-Being-Paid Pension Plans

	Pre-Need Reserves			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Encore – R	**6.000%**	**₱–**	–	₱–
Encore – O	**6.000%**	**–**	–	–
Encore – C	**6.000%**	**63,891**	5.900%	58,326
Plan Right	**6.000%**	**7,342,695**	5.900%	41,681,728
Plan Right (Repriced)	**6.000%**	**23,914,136**	5.900%	30,398,122
Plan Right (2011)	**4.800%**	**22,779,611**	4.800%	44,312,877
		₱54,100,333		₱116,451,053

b. For Currently-Being-Paid Education Plans

	Pre-need Reserves			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Values – U	**6.000%**	**₱–**	–	₱–
Achiever	**6.000%**	**–**	–	–
Achiever (Repriced)	**6.000%**	**–**	5.900%	240,160
		₱–		₱240,160

c. For Fully Paid Pension Plans Not Maturing Within Five (5) Years

	Other Pre-need Reserves			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Lifestyle	**6.000%**	**₱23,178,987**	5.900%	₱26,581,457
Lifestyle Plus	**6.000%**	**3,935,519**	5.900%	5,943,175
Repriced Lifestyle	**6.000%**	**146,485**	5.900%	139,187
Value Provider Plan B	**6.000%**	**–**	–	–
Value Provider Plan A (Repriced)	**6.000%**	**38,870,165**	5.900%	41425,603
Value Provider Plan B (Repriced)	**6.000%**	**49,769,379**	5.900%	63,900,473
Encore – R	**6.000%**	**113,486,518**	5.900%	118,396,341
Encore – O	**6.000%**	**58,162,138**	5.900%	67,565,664
Encore – C	**6.000%**	**30,423,043**	5.900%	38,294,694
Plan Right	**6.000%**	**1,207,231,469**	5.900%	1,448,544,918
Plan Right (Repriced)	**6.000%**	**207,182,214**	5.900%	230,810,818
Plan Right (2011)	**4.800%**	**109,322,642**	4.800%	88,119,726
		₱1,841,708,559		₱2,129,722,056

d. For Fully Paid Education Plans Not Maturing Within Five (5) Years

	Other Pre-need Reserves			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Value Scholar Plan – College	**6.000%**	**₱1,527,487**	5.900%	₱1,377,860
Values – U	**6.000%**	**196,268**	5.900%	187,522
Achiever	**6.000%**	**16,459,619**	5.900%	17,463,040
Achiever (Repriced)	**6.000%**	**4,877,426**	5.900%	5,373,156
		₱23,060,800		₱24,401,578

e. For Fully Paid Pension Plans Maturing Within Five (5) Years

	PNR Using Attainable Interest Rate			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Lifestyle	**6.000%**	**₱110,821,445**	5.900%	₱125,042,716
Lifestyle Plus	**6.000%**	**13,046,701**	5.900%	17,844,866
Career Semestral	**6.000%**	**–**	5.900%	68,340
Career Monthly	**6.000%**	**–**	–	–
Mega Value Plus	**6.000%**	**–**	–	–
Repriced Lifestyle	**6.000%**	**13,980,100**	5.900%	13,247,079
Prime Power Plan A	**6.000%**	**–**	–	–
Prime Power Plan B	**6.000%**	**1,027,548**	5.900%	959,748
Prime Power Plan C	**6.000%**	**–**	–	–
Value Provider Plan A	**6.000%**	**–**	5.900%	4,955,829
Value Provider Plan B	**6.000%**	**1,366,933**	5.900%	33,855,921
Value Provider Plan A (Repriced)	**6.000%**	**14,955,038**	5.900%	13,649,300
Value Provider Plan B (Repriced)	**6.000%**	**118,461,525**	5.900%	186,014,578
Encore – R	**6.000%**	**244,839,288**	5.900%	272,280,355
Encore – O	**6.000%**	**217,684,419**	5.900%	241,518,330
Encore – C	**6.000%**	**163,946,129**	5.900%	167,990,963
Plan Right	**6.000%**	**2,149,317,953**	5.900%	2,402,209,856
Plan Right (Reprised)	**6.000%**	**283,835,650**	5.900%	281,682,235
Plan Right (2011)	**4.800%**	**83,003,753**	4.800%	68,542,869
		₱3,416,286,482		₱3,829,862,985

f. For Fully Paid Education Plans Maturing Within Five (5) years

	PNR Using Attainable Interest Rate			
Type of Pre-Need Product	**Rate**	**2022**	Rate	2021
Achiever	**6.000%**	**₱219,025,156**	5.900%	₱237,502,969
Achiever (Repriced)	**6.000%**	**61,877,043**	5.900%	61,350,398
Value Scholar Plan - High School	**6.000%**	**475,191**	5.900%	986,101
Value Scholar Plan - College	**6.000%**	**51,993,610**	5.900%	86,955,903
Values – U	**6.000%**	**187,673,752**	5.900%	304,254,386
		₱521,044,752		₱691,049,757

g. For Lapsed Pension Plans (PNR Using Termination Values)

Type of Pre-Need Product	2022	2021
Encore – R	**₱–**	₱41,027
Encore – C	**–**	–
Plan Right	**685,128**	1,589,418
Plan Right (Repriced)	**574,935**	577,487
Plan Right (2011)	**42,296**	42,485
	₱1,302,359	₱2,250,417

h. For Lapsed Education Plans (PNR Using Termination Values)

Type of Pre-Need Product	2022	2021
Achiever	**₱–**	₱ 19,292
Achiever (Repriced)	**–**	7,020
Value Scholar Plan – College	**–**	–
Values – U	**–**	–
	₱–	₱26,312

Surrender, lapse and withdrawal rates

The Company uses rates of surrender, cancellation, utilization, and inflation which are based on the Company's **2017 Withdrawal Study**. Due to the varying experiences exhibited by their various products, plans issued by CMG Plans and Manulife Financial Plans each have a set of surrender, lapse, and withdrawal rates.

As of December 31, 2022 and 2021, the surrender, lapse and withdrawal rates used in the computation of PNR for both education and pension plans issued by the Company are as follows:

1. Education products:
   - Values - U
   - Achiever

2. Pension products:
   - Encore - R
   - Encore - O
   - Encore – C
   - Plan Right

1. Surrenders

December 31, 2022

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	3.96%	0.19%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	1.34%	2.50%	0.69%	0.11%	–	0.21%	0.16%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	2.06%	1.87%	1.79%	1.96%	1.26%	–	–	–	–	–	–	–	–	–	–
7	10.36%	4.44%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	2.93%	2.49%	3.61%	2.17%	1.47%	1.58%	1.25%	0.81%	0.82%	0.95	–	–	–	–	–
15	7.73%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

December 31, 2021

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	3.96%	0.19%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	1.34%	2.50%	0.69%	0.11%	–	0.21%	0.16%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	2.06%	1.87%	1.79%	1.96%	1.26%	–	–	–	–	–	–	–	–	–	–
7	10.36%	4.44%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	2.93%	2.49%	3.61%	2.17%	1.47%	1.58%	1.25%	0.81%	0.82%	0.95	–	–	–	–	–
15	7.73%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

2. Lapses

December 31, 2022

Corporate Plans

Payment Period (Year)	**Duration (In Years) 1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	**0.04%**	**0.31%**	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	–	–	**3.66%**	–	**0.31%**	**0.39%**	**0.50%**	**0.29%**	**0.34%**	–	–	–	–	–	–
15	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Individual Plans

Payment Period (Year)	**Duration (In Years) 1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	**5.94%**	**6.13%**	**2.21%**	**0.54%**	**0.24%**	–	–	–	–	–	–	–	–	–	–
7	**1.64%**	**7.56%**	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	**9.07%**	**9.51%**	**1.89%**	**0.83%**	**0.53%**	**0.42%**	**0.25%**	**0.19%**	**0.18%**	**0.05%**	–	–	–	–	–
15	**4.27%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–

December 31, 2021

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	0.04%	0.31%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	–	–	3.66%	–	0.31%	0.39%	0.50%	0.29%	0.34%	–	–	–	–	–	–
15	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	5.94%	6.13%	2.21%	0.54%	0.24%	–	–	–	–	–	–	–	–	–	–
7	1.64%	7.56%	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	9.07%	9.51%	1.89%	0.83%	0.53%	0.42%	0.25%	0.19%	0.18%	0.05%	–	–	–	–	–
15	4.27%	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. Withdrawals

December 31, 2022

Corporate Plans

Payment Period (Year)	Duration (In Years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	4.00%	0.50%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	5.00%	2.50%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	8.00%	4.00%	2.50%	1.50%	–	–	–	–	–	–	–	–	–	–
7	12.00%	12.00%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	12.00%	12.00%	5.50%	3.00%	2.00%	2.00%	1.50%	1.00%	1.00%	1.00%	–	–	–	–	–
15	12.00%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

December 31, 2021

Corporate Plans

Payment Period (Year)	Duration (In Years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	4.00%	0.50%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	5.00%	2.50%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	8.00%	4.00%	2.50%	1.50%	–	–	–	–	–	–	–	–	–	–
7	12.00%	12.00%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	12.00%	12.00%	5.50%	3.00%	2.00%	2.00%	1.50%	1.00%	1.00%	1.00%	–	–	–	–	–
15	12.00%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

As of December 31, 2022 and 2021, the above surrender, lapse and withdrawal rates are assumed rates for the following plans:

Education Product

- Value Scholar Plans

Pension Products

- Lifestyle
- Lifestyle Plus
- Career Semestral
- Career Monthly
- Mega Value Plus

- Repriced Lifestyle
- Prime Power Plan
- Value Provider
- Repriced Value Provider

1. Surrenders

December 31, 2022

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	1.23%	–	1.26%	0.90%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	–	2.24%	0.40%	–	0.80%	0.55%	0.97%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

December 31, 2021

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	1.23%	–	1.26%	0.90%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	–	2.24%	0.40%	–	0.80%	0.55%	0.97%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

2. Lapses

December 31, 2022

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	–	–	2.77%	3.00%	0.74%	0.10%	–	–	–	–	–	–	–	–	–
9	–	–	8.00%	4.76%	4.60%	4.00%	2.20%	1.45%	0.03%	–	–	–	–	–	–
10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

December 31, 2021

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	–	–	2.77%	3.00%	0.74%	0.10%	–	–	–	–	–	–	–	–	–
9	–	–	8.00%	4.76%	4.60%	4.00%	2.20%	1.45%	0.03%	–	–	–	–	–	–
10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. Withdrawals

December 31, 2022

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	8.00%	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

December 31, 2021

Payment Period (Year)	Duration in Years														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	8.00%	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

Reinstatement rates
The reinstatement rates used for December 31, 2022 and 2021 valuation were based on the 2019-2021 experience of the Company. Different rates were assumed for different segments due to the diverse experience exhibited among these groups.

The reinstatement experience registered higher rates for the Par block at 90%, which is higher than previous reinstatement rate assumption of 67%. However, for this reporting period, we retain previous assumption due to immateriality of its impact. We'll continue monitoring this closely, and should the trend persist, then the reinstatement rates for the Par block will be updated accordingly. On the other hand, the reinstatement rate assumptions for CMG and NPar blocks still do not warrant a change.

Products	**2022**	2021
CMG: Lifestyle, Lifestyle Plus, Career Monthly, Career Semestral, Repriced Lifestyle, Mega Value Plus, Prime Power Plan, Value Provider, Repriced Value Provider, Values Scholar	**100%**	100%
NPAR: Encore-R, Encore-O, Encore-C, Values-U	**57%**	57%
PAR: Plan Right, Achiever	**67%**	67%

The carrying values of PNR as of December 31, 2022 and 2021 amounted to ₱5.86 billion and ₱6.79 billion, respectively.

Insurance premium reserves
The Company purchases group insurance benefits from an insurance company. Since the terms of the pre-need plans are limited pay, the Company sets aside IPR to be able to pay for the insurance premiums due after the paying period.

Some plans still have insurance coverage after the paid up year. Thus, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the installment paying period. By definition, the IPR is the present value of all estimated insurance premiums payable to the insurance company. The calculation uses actuarial assumptions, and considers the portion of the future installments allotted for insurance expenses. IPR amounted to ₱27.63 million and ₱33.52 million as of December 31, 2022 and 2021, respectively (see Note 10).

Impairment of financial assets at amortized cost
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

For cash and cash equivalents, investments in debt securities measured at FVOCI and loans and receivables, the allowance estimate is determined by obtaining the 12-month point-in-time probability of default (PD) and loss given default (LGD) of the counterparties from market sources and multiplying these inputs with the exposure at default (EAD). The PD is an estimate of the likelihood of default over a given time horizon. The LGD is an estimate of loss arising in the case where a default occurs at a given time. The 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 principals and interest, whether scheduled by contract or otherwise.

As at December 31, 2022 and 2021, allowance for credit losses amounting to ₱40.56 million and ₱39.89 million were recognized on loans and receivables, respectively (see Note 5). As at December 31, 2022 and 2021, no impairment losses were recognized on cash in banks and accrued interest receivables (See Notes 4 and 7).

Recognition of deferred tax assets
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that a sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company uses its projected performance in assessing the sufficiency of the future taxable income.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱ 98,212**	₱ 98,212
Cash in banks	**740,899,488**	750,404,762
	740,997,700	750,502,974
Less: Cash restricted to planholders for insurance premiums included in insurance premium fund (Note 10)	**50,000,000**	50,000,000
	₱690,997,700	₱700,502,974

Cash in banks earns interest ranging from 0.25% to 5.75% in 2022 and 0.10% to 0.25% in 2021.

5. Financial Assets

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

	2022	2021
Financial assets at FVOCI	**₱692,413,729**	₱774,941,083
Loans and receivables - net	**50,042,547**	120,623,000
	₱742,456,276	₱895,564,083

a) Financial Assets at FVOCI

The Company's financial assets at FVOCI consist of investments in peso government and corporate debt securities.

The carrying values of financial assets at FVOCI have been determined as follows:

	2022	2021
Balance at January 1	**₱774,941,083**	₱840,499,724
Additions	**40,877,500**	24,118,790
Changes in fair value recognized directly in OCI	**(119,987,937)**	(86,165,264)
Amortization of bond premiums	**(3,416,917)**	(3,512,167)
Balance at December 31	**₱692,413,729**	₱774,941,083

The premium/discount amortization is included under 'Interest income' in the statement of comprehensive income.

The movement in the reserve for fluctuation in fair value of FVOCI financial assets follows:

	2022	2021
Balance at January 1	**(₱7,525,248)**	₱78,640,016
Changes in fair value recognized directly in OCI	**(119,987,937)**	(86,165,264)
Balance at December 31	**(₱127,513,185)**	(₱7,525,248)

Investments in government debt securities consist of Peso-denominated fixed rate government bonds with annual interest rates ranging from 2.63% to 8.63% in 2022 and in 2021. Investments in corporate debt securities consist of Peso-denominated fixed rate corporate bonds with annual interest rates ranging from 5.92% to 6.08% in 2022 and in 2021.

b) Loans and receivables - net

	2022	2021
Receivable from trustee (Note 6)	**₱49,636,722**	₱104,851,907
Receivable from agents	**3,823,187**	3,823,090
Other receivables	**37,144,572**	51,834,347
	90,604,481	160,509,344
Less: Allowance for impairment losses	**40,561,934**	39,886,344
	₱50,042,547	₱120,623,000

Receivable from trustee represents advances made by the Company for plan benefits paid to planholders that are chargeable to the trust fund in the following month.

Receivable from agents pertains to unremitted premium collections.

Other receivables include receivables from employees, sundry deposits and miscellaneous receivables.

The rollforward of the allowance for impairment losses on receivable from agents and other receivables follows:

	2022	2021
At beginning of year	**₱39,886,344**	₱43,586,958
Provision (reversal) during the year (Note 13)	**675,590**	(3,700,614)
At end of period	**₱40,561,934**	₱39,886,344
Allowance for impairment losses		
Other receivables	**₱36,738,747**	₱36,063,254
Receivable from agents	**3,823,187**	3,823,090
	₱40,561,934	₱39,886,344

6. **Investments in Trust Funds**

The Company established five (5) trust fund accounts for the Pension and Education block of the Company's business which were administered by Deutsche Bank (trustee bank) under trust agreements for the fulfillment of the Company's obligations under its pre-need pension and educational plan agreements. On October 8, 2014, the Company terminated its trust agreement with Deutsche Bank and transferred its trust fund to the Bank of the Philippine Islands (BPI). On January 15, 2018, the Company transferred the management of the Trust Fund Assets from (BPI) to MIMTC (Trustee) and the Trust Fund Administration from BPI to Hong Kong Shanghai Banking Corporation (HSBC).

In compliance with Chapter VIII, Section 30 of the pre-need code and in accordance with the terms of the trust agreements, withdrawals from the trust funds shall be made only for payment of: (a) costs, expenses and charges incurred in connection with the administration and operation of the trust funds; (b) cash surrender and termination values, annuities, and contributions to the fund of cancelled plans; and (c) the insurance premium payments and other costs necessary to ensure the delivery of benefits or services to planholders.

The details of the trust funds based on the financial statements issued by the trustee bank as of December 31, 2022 and 2021 follow:

	2022		
	Education	**Pension**	**Total**
Assets (Note 15)			
Cash and cash equivalents	**₱95,718,932**	**₱288,808,052**	**₱384,526,984**
Financial assets at FVOCI	**625,720,140**	**4,908,477,624**	**5,534,197,764**
Accrued interest receivable	**10,696,014**	**72,426,153**	**83,122,167**
	732,135,086	**5,269,711,829**	**6,001,846,915**
Liabilities			
Accrued trust fee payable	**111,927**	**805,609**	**917,536**
Other payables	**10,363**	**76,572**	**86,935**
	₱732,012,797	**₱5,268,829,647**	**₱6,000,842,444**

(Forward)

	2022		
	Education	**Pension**	**Total**
Equity			
Fund balance at beginning of year	**₱868,052,590**	**₱6,700,573,077**	**₱7,568,625,667**
Contributions	**243,639**	**11,686,361**	**11,930,000**
Withdrawals	**(112,818,931)**	**(1,044,918,024)**	**(1,157,736,955)**
Net income	**31,432,873**	**255,763,043**	**287,195,916**
	786,910,171	**5,923,104,457**	**6,710,014,628**
Net changes in fair value of financial assets at FVOCI	**(54,897,375)**	**(654,274,809)**	**(709,172,184)**
	₱732,012,796	**₱5,268,829,648**	**₱6,000,842,444**

	2021		
	Education	Pension	Total
Assets (Note 15)			
Cash and cash equivalents	₱8,597,843	₱24,522,053	₱33,119,896
Financial assets at FVOCI	847,808,125	6,597,134,027	7,444,942,152
Accrued interest receivable	11,792,091	80,040,124	91,832,215
	868,198,059	6,701,696,204	7,569,894,263
Liabilities			
Accrued trust fee payable	132,727	1,024,533	1,157,260
Other payables	12,742	98,594	111,336
	₱868,052,590	₱6,700,573,077	₱7,568,625,667

Equity			
Fund balance at beginning of year	₱1,120,292,926	₱8,099,747,217	₱9,220,040,143
Contributions	136,870	20,572,701	20,709,571
Withdrawals	(230,276,034)	(1,027,833,867)	(1,258,109,901)
Net income	36,261,620	281,311,931	317,573,551
	926,415,382	7,373,797,982	8,300,213,364
Net changes in fair value of financial assets at FVOCI	(58,362,792)	(673,224,905)	(731,587,697)
	₱868,052,590	₱6,700,573,077	₱7,568,625,667

	2022	2021
Net Asset of the TF	**₱6,000,842,444**	₱7,568,625,667
Less: Amount due to MFP (Note 5)	**49,636,722**	104,851,907
Investment in TF in the SFP	**₱5,951,205,722**	₱7,463,773,760

As of December 31, 2022 and 2021, reserve for fluctuation in value of FVOCI financial assets held in trust funds amounted to (₱62.18) million and ₱646.99 million, respectively.

As of December 31, 2022 and 2021, the balance of investments in trust funds in the statements of financial position is net of the amount payable arising from the amount of plan benefits paid out of the Company's funds amounting to ₱49.64 million and ₱104.85 million, respectively (see Note 5).

The net loss amounting to ₱35.87 million and ₱138.58 million in 2022 and 2021, respectively, of the trust fund operations is determined as follows:

	2022	2021
Trust fund income	**₱287,195,916**	₱317,573,551
Trust fund contributions	**11,930,000**	20,709,571
Termination benefits (Note 12)	**(1,220,001,490)**	(1,137,812,075)
Benefit payouts (Note 12)	**(39,915,549)**	(43,384,378)
Surrenders (Note 12)	**(10,051,880)**	(20,369,951)
Plan insurance (Note 12)	**(1,223,426)**	(1,586,220)
Decrease in PNR	**936,198,773**	726,285,083
Net loss	**(₱35,867,656)**	(₱138,584,419)

The net income of the trust fund operations is absorbed by retained earnings as presented in the statements of changes in equity.

The fair values of the financial assets of the trust funds are estimated as follows:

	Methods and Assumptions
Cash and cash equivalents	Face amount approximates fair value due to short-term nature.
FVOCI financial assets	Fair values are based on quoted prices.
Accrued interest receivable	Carrying amount approximates fair value due to short-term maturity.

a. FVOCI Financial Assets

FVOCI financial assets held in trust funds consist of peso-denominated government and corporate debt securities. The government debt securities are fixed rate government treasury bonds with annual interest rates ranging from 2.63% to 18.25% and 1.34% to 18.25% in 2022 and 2021.

The movement in the reserve for fluctuation in fair value of FVOCI financial assets held in trust funds follows:

	2022	2021
Balance at beginning of year	**₱646,991,038**	₱1,378,578,736
Changes in fair value of financial assets at FVOCI	**(709,172,188)**	(731,587,698)
Balance at end of year	**(₱62,181,150)**	₱646,991,038

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

Annual actuarial valuation of the pre-need contractual commitments is based on the computation previously prescribed by the SEC and incorporates the provisions of IC Circular Letter No. 23-2012. Any deficiency between the computed amount and the trust funds is funded by the Company within the prescribed period. Based on the actuarial certification issued by an independent actuary accredited by the IC, the required balance of the trust funds is ₱5.86 billion and ₱6.79 billion as of December 31, 2022 and 2021, respectively.

Trust fund surplus is computed as follows:

	2022			2021		
	Education	**Pension**	**Total**	Education	Pension	Total
Investments in Trust Funds	**₱730,753,405**	**₱5,220,452,317**	**₱5,951,205,722**	₱ 859,374,327	₱ 6,604,399,433	₱7,463,773,760
Required balance of Trust Fund (Notes 2 and 3)						
Pre-need reserves	**544,105,553**	**5,313,397,732**	**5,857,503,285**	715,717,808	6,078,286,510	6,794,004,318
Trust fund surplus	**₱186,647,852**	**(₱92,945,415)**	**₱93,702,437**	₱143,656,519	₱526,112,923	₱669,769,442

The trust fund income account consists of:

	2022	2021
Interest income	**₱391,884,991**	₱433,401,403
Gain (loss) on sale of financial assets at FVOCI	**(7,726,480)**	2,750,662
Trustee fees	**(11,659,147)**	(14,914,285)
Provision for income tax – final	**(87,141,090)**	(95,850,620)
Other income (expenses)	**1,837,642**	(7,813,609)
	₱287,195,916	₱317,573,551

Movements in the pre-need reserves follow:

	2022	2021
At January 1	**₱6,794,004,318**	₱7,520,289,401
Contributions	**11,452,551**	16,909,573
Accretion of investment income	**118,820,741**	170,306,870
Benefit payments	**(1,231,426,246)**	(1,170,792,317)
Expenses	**(19,632,140)**	(22,110,154)
Adjustment due to change in interest rate assumptions	**375,753**	1,668,556
Change in in-force	**183,908,308**	277,732,389
At December 31	**₱5,857,503,285**	₱6,794,004,318

Chapter VIII, Section 34 of the Pre-need Code: Investment in Trust Fund

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, the Pre-need Code provides that all investments of the trust funds of a pre-need company shall be limited to the following and subject to limitations, to wit:

a) Fixed income instruments – These may be classified into short-term and long-term instruments. The instrument is short-term if the maturity period is three hundred sixty-five (365) days or less. This category includes:

   1) Government securities which shall not be less than ten percent (10%) of the trust fund amount;

   2) Savings or time deposits and unit investment trust funds maintained with and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the BSP;

   3) Commercial papers duly registered with the SEC with a credit rating of "1" for short-term and "AAA" for long-term based on the rating scale of an accredited Philippine Rating Agency or its equivalent at the time of investment.

The maximum exposure to long-term commercial papers shall not exceed fifteen percent (15%) of the total trust fund amount while the exposure to each commercial paper issuer shall not exceed ten percent (10%) of the allocated amount; and

4) Direct loans to corporations which are financially stable, profitable for the last three (3) years and have a good track record of paying their previous loans.

   These loans shall be fully secured by a real estate mortgage up to the extent of sixty percent (60%) of the zonal valuation of the property at the time the loan was granted.

   The property shall be covered by a transfer certificate of title registered in the name of the mortgagor and free from liens and encumbrances.

   The maximum amount to be allocated for direct loans shall not exceed five percent (5%) of the total trust fund amount while the amount to be granted to each corporate borrower shall not exceed ten percent (10%) of the amount allocated.

   The maximum term of the loan should be no longer than four (4) years.
   Direct loans to planholders are exempt from the limitations of this provision, provided that such loans to planholders shall not exceed ten percent (10%) of the total trust fund amount.

b) Equities – investments in equities shall be limited to stocks listed on the main board of a local stock exchange.

   Investments in duly registered collective investment instruments such as mutual funds are allowed hereunder, provided, that such funds are invested only in fixed income instruments and blue chips securities, subject to the limitations prescribed by laws, rules and regulations.

   These investments shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three (3) years. Notwithstanding the prohibition against transactions with directors, officers, stockholders and related interests, the trustee may invest in equities of companies related to the trustee provided these companies comply with the foregoing paragraph.

   The amount to be allocated for equity investments shall not exceed thirty percent (30%) of the total trust fund while the investment in any particular issue shall not exceed ten percent (10%) of the allocated amount. The investment shall be recorded at the aggregate of the lower of cost or market.

   Existing investments which are not in accordance herewith shall be disposed of within three (3) years from the effectivity of the Code.

c) Real estate – these shall include real estate properties located in strategic areas of cities and first class municipalities. The transfer certificate of title (TCT) shall be in the name of the seller, free from liens and encumbrances and shall be transferred in the name of the trustee in trust for the planholders unless the seller or transferor is the pre-need company wherein an annotation to the TCT relative to the sale or transfer may be allowed. It shall be recorded at acquisition cost.

   However, the real estate shall be appraised every three (3) years by a licensed real estate appraiser, accredited by the Philippine Association of Real Estate Appraisers, to reflect the increase or decrease in the value of the property. In case the appraisal would result in an increase in the value, only sixty percent (60%) of the appraisal increase is allowed to be recorded in the books of the trust fund but in case of decline in value, the entire decline shall be recorded. Appraisal increment should not be used to cover up the required monthly contribution to the trust fund.

The total recorded value of the real estate investment shall not exceed ten percent (10%) of the total trust fund amount of the pre-need company. In the event that the existing real estate investment exceeds the aforesaid limit, the same shall be leveled off to the prescribed limit within three (3) years from the effectivity of the Code.

Investment of the trust fund which is not in accordance with the preceding paragraphs, shall not be allowed unless the prior written approval of the Commission had been secured, provided that no deposit or investment in any single entity shall exceed fifteen percent (15%) of the total value of the trust fund, and that the Commission is authorized to adjust the percentage allocation per category set forth herein not in excess of two percentage (2%) points upward or downward and no oftener than once every five (5) years. The first adjustment hereunder may be made no earlier than five (5) years from the effectivity of the Code. The pre-need company shall not use the trust fund to extend any loan to or to invest in its directors, stockholders, officers or its affiliates.

IC Circular Letter No. 37-2022
On July 18, 2022, the IC issued Circular Letter No. 37-2022, *Amended Guidelines on Allowable Investments For Pre-Need Trust Funds.* ln addition to the list of allowable investments under Section 34 (a) to (c) of the Code, the following additional investments shall be allowed as Other Allowable lnvestments and shall be equal to the residual allocation as computed in Section 4 of this CL:

a. 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 a local or a foreign Credit-rating agency accredited by the Securities and Exchange Commission (SEC) or its international counterpart.

ii. Real Estate lnvestments Trust and Exchange Traded Funds,

Philippine Stock Exchange (PSE)-listed Real Estate lnvestment Trust (REIT) and Exchange Traded Funds (ETF) approved by their respective regulatory agencies.

iii. Mutual Funds and Unit lnvestment Trust Funds: and

Mutual Funds duly registered with the SEC and local Unit lnvestment 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 from a local or a foreign Credit-rating agency accredited by the SEC or its international counterpart.

As of December 31, 2022 and 2021, the Company has complied with Section 34 and the *Amended Guidelines on Allowable Investments For Pre-Need Trust Funds* under IC Circular Letter No. 37-2022.

IC Circular Letter No. 8-2012
On December 15, 2012, the IC issued Circular Letter No. 8-2012, *Allowable Investments for Pre-need Trust Funds*. In addition to the provisions of Section 34 of the Pre-need Code, Investment of the Trust Fund, the following additional investment outlets shall be allowed as "Other Investments" with corresponding maximum limits and subject to prior approval of the IC. The amount allocated shall not exceed twenty percent (20%) of the total trust fund while the investment in any particular item below shall not exceed fifteen percent (15%) of the trust fund. Provided, further, that no investment in any single entity shall exceed ten percent (10%) of the total value of the trust fund.

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, the Company has complied with Section 34 and the allowable investments under IC Circular Letter No. 8-2012.

7. Other Assets

This account consists of:

	2022	2021
Creditable withholding taxes	**₱7,724,829**	₱6,075,485
Interest receivable	**5,549,846**	4,861,054
Advances	**255,737**	255,737
Prepayments	**132,556**	178,438
Others	**24,377**	21,367
	₱13,687,345	₱11,392,081

Creditable withholding tax pertains to the tax withheld at source and is creditable against the income tax liability of the Company.

Prepayments pertain to local business taxes and input VAT during the year.

8. Property and Equipment

The rollforward analysis of this account as of December 31, 2022 and 2021 follows:

	Leasehold Improvements	Furniture and Fixtures	Total
Cost	₱57,524,638	₱24,476,503	₱82,001,141
Accumulated depreciation and amortization			
As of December 31	57,524,638	24,476,503	82,001,141
Net book value as of December 31	₱–	₱–	₱–

Fully depreciated property and equipment with total cost of ₱82.00 million as of December 31, 2022 and 2021 are still in use.

9. Accrued Expenses and Other Liabilities

This account consists of:

	2022	2021
Accounts payable	**₱408,617,379**	₱243,111,511
Maturities and surrenders payable	**374,613,753**	443,559,450
Taxes payable	**1,475,312**	1,499,642
Advance premiums	**266,383**	143,779
Accrued expenses	**248,600**	103,767
Premium deposit fund	**70,632**	70,633
Other liabilities	**29,712,878**	29,519,360
	₱815,004,937	₱718,008,142

Accounts payable consists mainly of excess valid payments from planholders.

Maturities and surrenders payable refer to maturities and pre-termination benefits that have not been paid to the policyholders.

Taxes payable include withholding tax on agents’ commissions; EVAT on premiums collected; and withholding tax on professional fees, rentals, broker’s fee and income payments to contractors and regular/local suppliers of goods and services.
Advance premiums relate to payment of policyholders on premiums that are not yet due.

Accrued expenses pertain to accrued sundry expenses and commissions payable.

Premium deposit fund represents amounts paid in and held for payments of future contractual obligations by the policyholders under individual annuity contract.

Other liabilities include accrued interest on interest-sensitive plans and unsettled trade.

10. **Insurance Premium Reserves (IPR) and Insurance Premium Fund**

The IPR as of December 31, 2022 and 2021 amounting to ₱27.63 million and ₱33.52 million, respectively, pertains to the actuarial reserves set up by the Company for the insurance coverage of the policies in force as at the end of the accounting period.

In compliance with the Amended Rule, the Company restricts corporate assets at least to the amount computed for the IPR to cover payment of insurance premiums after the paying period of the pre-need plans (see Note 2). The amount of restricted corporate assets is meant to cover the future insurance premiums to be paid for the insurance coverage of the planholders.

As of December 31, 2022 and 2021, the Insurance Premium Fund is composed of cash and cash equivalents amounting to ₱50,000,000 (see Note 4).

11. **Interest Income and Other Income**

Interest income consists of:

	2022	2021
Interest income on:		
FVOCI financial assets	**₱36,199,759**	₱34,618,530
Deposits with banks	**8,607,597**	2,138,778
Unpaid premiums on reinstated policies	**87,130**	65,258
	₱44,894,486	₱36,822,566

Other income consists of reversal of long outstanding payables and transaction fees.

12. **Other Direct Costs and Expenses**

This account consists of:

	2022	2021
Termination benefits	**₱1,220,001,490**	₱1,137,812,075
Benefit payouts	**39,915,549**	43,384,378
Surrenders	**10,051,880**	20,369,951
Plan insurance	**1,223,426**	1,586,220
Basic commissions	**66,292**	90,044
	₱1,271,258,637	₱1,203,242,668

Plan insurance expense includes remittance to the Parent Company of premium collection from built-in life insurance and change in reserves plan insurance.

13. General, Administrative and Selling Expenses

This account consists of:

	2022	2021
Service fee expense (Note 16)	**₱4,636,229**	₱3,735,443
Taxes and licenses	**1,876,456**	2,522,013
Investment expenses	**1,482,393**	2,287,926
Professional fees	**793,275**	1,780,378
Provision (reversal) for impairment loss (Note 5)	**675,590**	(3,700,614)
Finance charges	**286,639**	450,405
Agency related benefits	**2,233**	6,762
Office supplies	**–**	196,429
Miscellaneous	**13,264,117**	437,137
	₱23,016,932	₱7,715,879

The service fee expense amounting to ₱4.64 million and ₱3.74 million for the years ended December 31, 2022 and 2021, respectively, are allocated expenses (including 5% mark-up) from the Parent Company. The services provided by the Parent Company include, but are not limited to, financial and accounting services, data processing, administrative services, valuation for individual policy reserves and other actuarial services.

14. Income Taxes

The provision for income tax consists of:

	2022	2021
MCIT	**₱–**	₱286,012
Final taxes on interest income	**9,657,157**	8,035,659
	₱9,657,157	₱8,321,671

Implementation of CREATE Act

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems.

The law has a retroactive effective to reduce RCIT rate from 30% to 20% or 25%, as applicable, for domestic corporations effective July 1, 2020. Further, MCIT rate has been reduced to 1% for the period July 1, 2020 to June 30, 2023. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered as a substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e. 30% RCIT) for financial reporting purposes. On the other hand, the income tax paid and filed in the 2020 annual income tax return was recomputed based on the CREATE rules.

The Company did not recognize the deferred tax assets on the following deductible temporary difference, NOLCO and MCIT since management believes that the tax benefits may not be realized.

	2022	2021
NOLCO	**₱126,785,274**	₱20,551,362
Allowance for impairment losses (Note 5)	**40,561,934**	39,886,344
MCIT	**1,249,917**	1,249,917

The company will reassess the unrecognized deferred tax assets on the above deductible temporary differences and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income would allow the deferred tax asset to be recovered.

As of December 31, 2022, the details of unexpired NOLCO, which are available for offset against future taxable income are as follows:

Year incurred	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2018	₱355,466,111	₱44,935,549	₱310,530,562	₱–	2021
2019	20,551,362	–	20,551,362	–	2022
2022	126,785,274	–	–	126,785,274	2025
	₱502,802,747	₱44,935,549	₱331,081,924	₱126,785,274	

As of December 31, 2022, the unexpired excess of MCIT over normal tax, which can be claimed as a deduction against income tax due, are as follows:

Year incurred	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2020	₱963,905	₱–	₱–	₱963,905	2023
2021	286,012	–	–	286,012	2024
	₱1,249,917	₱–	₱–	₱1,249,917	

The reconciliation of pre-tax income (loss) computed at the statutory rate to tax expense follows:

	2022	2021
Loss before income tax	**(₱4,413,798)**	(₱111,873,064)
At statutory income tax rate	**(1,103,450)**	(27,968,266)
Additions to (reductions in) income tax expense resulting from:		
Net trust fund withdrawals	**286,451,739**	309,350,083
Amortization of net premiums	**854,229**	878,042
Non-deductible expense	**5,904**	6,056
Change in pre-need reserves	**(234,049,693)**	(181,571,271)
Trust fund income subject to final tax	**(71,798,979)**	(79,393,388)
Change in unrecognized deferred tax assets	**41,353,475**	(10,706,899)
Interest subject to final tax	**(12,056,068)**	(2,031,710)
CREATE impact in current year's expense	–	(240,976)
	₱9,657,157	₱8,321,671

15. **Management of Capital and Financial Risks**

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

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

Capital Management Framework
The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the statement of financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Fixed Capitalization Requirements
Under Rule 2 of the New Rules on the Registration and Sale of Pre-Need Plans under Section 16 of the Securities Regulation Code, minimum paid-up capital requirements were imposed on all new and existing pre-need companies. As clarified in the Pre-need Code/ R.A. No. 9829, for the existing pre-need companies offering two types of plans, the minimum paid-up capital is ₱75 million. The Company only offers fixed-value education and pension plans.

The Company is authorized to issue 5,000,000 shares with par value of ₱100 per share. As of December 31, 2022 and 2021, the Company's capital stock amounted to ₱250.00 million consisting of 2,500,000 issued and outstanding shares.

The Company has complied with the minimum paid-up capital requirements.

Unimpaired capital requirement
Insurance Memorandum Circular (IMC) 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the worth or equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirements of the SEC.

Regulatory Framework
The regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

Starting 2009, the operations of the Company became subject to the regulatory requirements of the Insurance Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, such as capital adequacy to minimize the risk of default and insolvency on the part of the pre-need companies to meet the unforeseen liabilities as these arise. Previously, the Company was subject to the regulatory requirements of the SEC.

Financial Risk
The Company is exposed to financial risk through its financial assets and financial liabilities. 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 which is exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments is interest rate risk.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and those that are held in the trust fund.

Assets Not Held in Trust Funds*

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Loans and receivables				
Cash on hand and in banks	**₱740,997,700**	**₱740,997,700**	₱700,502,974	₱700,502,974
Receivable from trustee	**49,636,722**	**49,636,722**	104,851,907	104,851,907
Interest receivable	**5,549,846**	**5,549,846**	4,861,054	4,861,054
Receivable from agents – net	–	–	–	–
Other receivables – net	**501,425**	**501,425**	15,771,093	15,771,093
Financial assets FVOCI	**692,413,729**	**692,413,729**	774,941,083	774,941,083
	₱1,489,099,422	**₱1,489,099,422**	₱1,600,928,111	₱1,600,928,111

**Gross of assets restricted for Insurance Premium Fund*

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Liabilities				
Accrued expenses and other liabilities				
Accounts payable	**₱408,617,379**	**₱408,617,379**	₱243,111,511	₱243,111,511
Maturities and surrenders payable	**374,613,753**	**374,613,753**	443,559,450	443,559,450
Accrued expenses	**248,600**	**248,600**	103,767	103,767
Advanced premiums	**266,383**	**266,383**	143,779	143,779
Premium deposit fund	**70,632**	**70,632**	70,633	70,633
Other liabilities	**29,712,878**	**29,712,878**	29,519,360	29,519,360
Due to related parties	**75,964,694**	**75,964,694**	60,223,727	60,223,727
	₱889,494,319	**₱889,494,319**	₱776,732,227	₱776,732,227

Assets Held in Trust Funds (Note 6)

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Cash and cash equivalents	**₱384,526,984**	**₱384,526,984**	₱33,119,896	₱33,119,896
Financial assets at FVOCI	**5,534,197,764**	**5,534,197,764**	7,444,942,152	7,444,942,152
Loans and receivables	**83,122,167**	**83,122,167**	91,832,215	91,832,215
	6,001,846,915	**6,001,846,915**	₱7,569,894,263	₱7,569,894,263
Financial liabilities	**₱1,004,471**	**₱1,004,471**	₱1,268,596	₱1,268,596

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash and cash equivalents, loans and receivables, accrued expenses and other liabilities and due to related parties*: due to the short-term nature of the accounts, the fair values approximate the carrying amounts.

- *Financial assets at FVOCI*: fair values were determined using quoted market prices at reporting date.

Fair Value Hierarchy
The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as of December 31, 2022 and 2021.

2022

	Level 1	Level 2	Level 3	Fair Value
Financial assets at FVOCI not held in trust funds				
Government debt securities	**₱692,413,729**	₱–	₱–	**₱692,413,729**
Corporate debt securities		–	–	-
Financial assets at FVOCI held in trust funds				
Government debt securities	**5,467,018,668**	–	–	**5,467,018,668**
Corporate debt securities	**67,179,096**	–	–	**67,179,096**

2021

	Level 1	Level 2	Level 3	Fair Value
Financial assets at FVOCI not held in trust funds				
Government debt securities	₱774,941,083	₱–	₱–	₱ 774,941,083
Corporate debt securities	-	–	–	-
Financial assets at FVOCI held in trust funds				
Government debt securities	7,375,942,152	–	–	7,375,942,152
Corporate debt securities	69,000,000	–	–	69,000,000

There were no transfers between level 1 and level 2, and no transfers into and out of level 3.

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

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; determining right of offset where counterparties are both debtors and creditors; providing guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy, and reviewing credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for each issuer or group of issuers.

As of December 31, 2022 and 2021, the Company's financial assets at FVOCI (held in trust funds and not held in trust funds) amounting to ₱6.23 billion and ₱8.22 billion, respectively, pertain to peso-denominated government bonds and corporate bonds.

The Company did not have other significant concentration of credit risk with a single counterparty or group of counterparties as of December 31, 2022 and 2021. The following tables summarize the credit quality of the Company's neither past due nor impaired financial assets as of December 31, 2022 and 2021:

2022

	Neither past due nor impaired		**Past due and individually impaired**	**Total**
	Investment grade	**Non-investment grade**		
Financial assets not held in trust funds*				
FVOCI financial assets - gross	**₱692,413,729**	**₱–**	**₱–**	**692,413,729**
Cash in banks	**740,899,488**	**–**	**–**	**740,899,488**
Loans and receivables				
Receivable from trustee	**–**	**49,636,722**	**–**	**49,636,722**
Receivable from agents	**–**	**-**	**3,823,187**	**3,823,187**
Other receivables	**–**	**501,425**	**36,738,747**	**37,240,172**
Interest receivable	**5,549,846**	**–**	**–**	**5,549,846**
	₱1,438,863,063	**₱50,138,147**	**₱40,561,934**	**₱1,529,563,144**

Gross of assets restricted for Insurance Premium Fund

2021

	Neither past due nor impaired		Past due and individually impaired	Total
	Investment grade	Non-investment grade		
Financial assets not held in trust funds*				
FVOCI financial assets - gross (included in Insurance Premium Fund)	₱774,941,083	₱–	₱–	₱774,941,083
Cash in banks	700,404,762	–	–	700,404,762
Loans and receivables				
Receivable from trustee	–	104,851,907	–	104,851,907
Receivable from agents	–	–	3,823,090	3,823,090
Other receivables	–		51,834,347	51,834,347
Interest receivable	4,861,054	–	–	4,861,054
	₱1,480,206,899	₱104,851,907	₱55,657,437	₱1,640,716,243

**Gross of assets restricted for Insurance Premium Fund*

2022

	Neither past due nor impaired		**Past due and individually impaired**	**Total**
	Investment grade	**Non-investment grade**		
Financial assets held in trust funds				
FVOCI financial assets	**₱5,534,197,764**	**₱–**	**₱–**	**₱5,534,197,764**
Cash and cash equivalents	**384,526,984**	**–**	**–**	**384,526,984**
Loans and receivables - net	**–**	**83,122,167**	**–**	**83,122,167**
	₱5,918,724,748	**₱83,122,167**	**₱–**	**₱6,001,846,915**

2021

	Neither past due nor impaired		Past due and	
	Investment grade	Non-investment grade	individually impaired	Total
Financial assets held in trust funds				
FVOCI financial assets	₱7,444,942,152	₱–	₱–	₱7,444,942,152
Cash and cash equivalents	33,119,896	–	–	33,119,896
Loans and receivables - net	–	91,832,215	–	91,832,215
	₱7,478,062,048	₱91,832,215	₱–	₱7,569,894,263

The Company's neither past due nor impaired financial assets are classified into investment and non-investment grade. Investment grade financial assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions. Cash and cash equivalents are considered investment grade because these are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability. Non-investment grade financial assets are assets which are vulnerable to impairment due to assets' significant speculative characteristics. Adverse economic conditions will likely impair non-investment grade financial assets.

The table below shows the maximum exposure of the Company to credit risk. The maximum exposure is shown net of impairment losses.

	2022	2021
Financial assets not held in trust funds*		
FVOCI financial assets - gross	**₱692,413,729**	₱774,941,083
Cash in banks	**740,899,488**	700,404,762
Loans and receivables		
Receivable from trustee	**49,636,722**	104,851,907
Receivable from agents - net	–	–
Other receivables – net	**501,425**	15,771,093
Interest receivable	**5,549,846**	4,861,054
	₱1,489,001,210	₱1,600,829,899

**Gross of assets restricted for Insurance Premium Fund*

	2022	2021
Financial assets held in trust funds		
FVOCI financial assets	**₱5,534,197,764**	₱7,444,942,152
Cash and cash equivalents	**384,526,984**	33,119,896
Loans and receivables - net	**83,122,167**	91,832,215
	₱6,001,846,915	₱7,569,894,263

In coordination with the Company's trustee bank, 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 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.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from pre-need contracts.

The Company manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures and breaches to the monitoring authority; monitors compliance with liquidity risk policy and reviews liquidity risk policy for pertinence and changing environment.

The following table summarizes the Company's financial liabilities maturing within one (1) year as of December 31, 2022 and 2021:

	2022	2021
Accrued expenses and other liabilities		
Accounts payable (Note 9)	**₱408,617,379**	₱243,111,511
Maturities and surrenders payable (Note 9)	**374,613,753**	443,559,450
Taxes payable	**1,475,312**	1,499,642
Advanced premiums (Note 9)	**266,383**	143,779
Accrued expenses (Note 9)	**248,600**	103,767
Premium deposit fund (Note 9)	**70,632**	70,633
Other liabilities (Note 9)	**29,712,878**	29,519,360
	815,004,937	718,008,142
Due to related parties (Note 16)	**75,964,694**	60,223,727
	₱890,969,631	₱778,231,869

The Company uses its investments in trust funds and financial assets not held in trust fund to manage liquidity risk. These financial assets are short-term in nature except for FVOCI financial assets which include financial assets with contractual maturity of over five (5) years. FVOCI debt securities are expected to be held indefinitely and would be realized based on the funding requirement of the Company due to maturities, surrenders and benefit payouts.

The following table shows the maturity profile of PNR based on the estimated timing of the net cash outflows using the recognized liability amounts:

	Up to a year	1 – 3 years	3 – 5 years	Over 5 Years	No term*	Total
2022						
PNR	**₱1,301,247,839**	**₱1,384,457,836**	**₱1,125,439,172**	**₱2,045,056,078**	**₱1,302,360**	**₱5,857,503,285**
2021						
PNR	₱1,520,558,448	₱1,664,299,413	₱1,124,205,085	₱2,482,664,641	₱2,276,731	₱6,794,004,318

**pertains to reserves for lapsed reinstateable policies*

The IPR as of December 31, 2022 and 2021 amounting to ₱27.63 million and ₱33.52 million, respectively, pertains to the actuarial reserves set up by the Company for the insurance coverage of the policies in force as at the end of the accounting period. As of December 31, 2022 and 2021, the Company restricts corporate assets to cover payment of insurance premiums after the paying period of the pre-need plans amounting to ₱50.0 million and are renewable on a yearly basis.

Cash and cash equivalents, short-term investments and FVOCI debt securities with maturity of less than one year are used for the Company's liquidity requirements. FVOCI debt securities with maturity of more than a year from December 31 are marketable securities and could be sold as and when needed prior to its maturity in order to meet the Company's short-term liquidity needs.

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

  The Company manages fair value interest rate risk by minimizing the duration gap of its assets and liabilities.

  As of December 31, 2022 and 2021, the Company's FVOCI financial assets not held in trust funds earn interest at 2.63% - 8.63% per annum with maturities ranging from 2024 to 2040.

  As of December 31, 2022 and 2021, the Company's FVOCI financial assets held in trust funds earn interest at 2.38% - 18.25% and 1.38% - 18.25% per annum, respectively. The maturity dates range from 2023 to 2042 and 2022 to 2040 as of December 31, 2022 and 2021, respectively.

  The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Company's other comprehensive income in 2022 and 2021. There were no changes in basis of assumption for the Company's sensitivity model:

  <u>Assets not held in Trust Fund</u>

	2022		2021	
	Increase/ decrease in basis points	**Effect on Other Comprehensive Income**	Increase/ decrease in basis points	Effect on Other Comprehensive Income
Peso bonds	**+100**	**(₱49,100,751)**	+100	(₱65,090,964)
	-100	**49,100,751**	-100	65,090,964

Assets held in Trust Fund

	2022		2021	
	Increase/ decrease in basis points	**Effect on Other Comprehensive Income**	Increase/ decrease in basis points	Effect on Other Comprehensive Income
Peso bonds	**+100**	**(₱248,051,724)**	+100	(₱350,711,033)
	-100	**248,051,724**	-100	350,711,033

- *Foreign Currency Risk*
  Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Company's local currency or will be denominated in such a currency in the planned course of business.

  Foreign currency risk is monitored and analyzed systematically. The Company's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Company believes in ensuring that its foreign currency is at all times within limits prescribed for companies who are engaged in the same type of businesses.

  As of December 31, 2022 and 2021, the Company has no financial instruments denominated in a currency other than the Company's functional currency.

16. Related Party Transactions

The Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control (referred to as affiliates). Related parties may be individuals or corporate entities.

December 31, 2022

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding Balance
Parent Company	**Manulife Philippines**	**Due to Related Parties**	**Payment of Service Fees in relation to the Administrative Service Agreement – Allocated costs from Parent company for management, accounting and other administrative services rendered plus 5% mark up, net of settlement**	**₱4,636,229**	**₱58,444,621**
		Due to Related Parties	**Non-interest bearing, due and demandable borrowed funds net of intercompany collection or deposit, net of settlement**	**–**	**–**
	Manulife Philippines	**Due to Related Parties**	**Premium payment for life coverage embedded in Pre-need plans, net of settlement**	**1,223,426**	**16,491,334**
Affiliate	**Manulife Asset Management and Trust Corporation**	**Due to Related Parties**	**Trust fees per investment management agreement with MAMTC, net of settlement**	**1,482,393**	**1,028,739**

December 31, 2021

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding Balance
Parent Company	Manulife Philippines	Due to Related Parties	Payment of Service Fees in relation to the Administrative Service Agreement – Allocated costs from Parent company for management, accounting and other administrative services rendered plus 5% mark up, net of settlement	₱3,735,443	₱3,917,892
		Due to Related Parties	Non-interest bearing, due and demandable borrowed funds net of intercompany collection or deposit, net of settlement	25,240,613	42,742,606
	Manulife Philippines	Due to Related Parties	Premium payment for life coverage embedded in Pre-need plans, net of settlement	1,586,220	12,275,087
Affiliate	Manulife Asset Management and Trust Corporation	Due to Related Parties	Trust fees per investment management agreement with MAMTC, net of settlement	267,358	1,288,142

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 for any related party payables.

The administrative service agreement with Manulife Philippines includes services of key management personnel to the Company.

17. **Compliance with PNUCA**

Pre-need Rule 31, as Amended: Accounting Standards for Pre-need Plans and PNUCA
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 Philippine GAAP for pre-need companies in the Philippines. This Amended Pre-need Rule 31 became effective for interim financial statements covering periods ended December 31, 2007 and onwards, and for annual financial statements for the period 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 and PAS 40 and other applicable standards, depending on the composition of the fund.

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

Pre-need Reserves

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

b. In recognizing PNR for educational and pension plans, the general requirements of PAS 37, on provisioning and the specific methodology provided under this item shall be complied with by the company. For life plans, the requirements of PFRS 4 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. Since the effect of the time value of money for pre-need plans is material, the amount of provision shall be the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as discussed in Note 2.

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 SEC as a separate report;

h. The probability of pre-termination on 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 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 Amended Pre-Need Rule.

Insurance premium reserves

The Company shall set-up 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")

As provided by the rules and regulations of the PNUCA, the following information is disclosed:

	2022	2021
Total installment collections	**₱12,785,714**	₱18,446,618
Contract price of lapsed plans	**16,983,108**	18,470,683
Contract price of lapsed plans reinstated	**27,201,765**	25,242,218
Number of lapsed plans	**54**	55
Number of lapsed plans reinstated	**73**	67

18. Current and Non-Current classification

The Company's classification of its accounts is as follows:

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Assets						
Cash and cash equivalent	**₱690,997,700**	**₱–**	**₱690,997,700**	₱700,502,974	₱–	₱700,502,974
Loans and receivables-net	**50,042,547**	**–**	**50,042,547**	120,623,000	–	120,623,000
Financial assets at fair value through other comprehensive income	**–**	**692,413,729**	**692,413,729**	–	774,941,083	774,941,083
Investment in trust funds		**5,951,205,722**	**5,951,205,722**		7,463,773,760	7,463,773,760
Insurance premium fund	**50,000,000**	**–**	**50,000,000**	50,000,000	–	50,000,000
Other assets	**13,687,345**	**–**	**13,687,345**	11,392,081	–	11,392,081
	804,727,592	**6,643,619,451**	**7,448,347,043**	882,518,055	8,238,714,843	9,121,232,898
Liabilities						
Accrued expenses and other liabilities	**815,004,937**	**–**	**815,004,937**	718,008,142	–	718,008,142
Due to related parties	**75,964,694**	**–**	**75,964,694**	60,223,727	–	60,223,727
Pre-need reserves	**1,301,247,839**	**4,556,255,446**	**5,857,503,285**	1,520,558,448	5,273,445,870	6,794,004,318
Insurance Premium Reserves	**–**	**27,629,419**	**27,629,419**	–	33,520,923	33,520,923
	₱2,192,217,470	**₱4,583,884,865**	**₱6,776,102,335**	₱2,298,790,317	₱5,306,966,793	₱7,605,757,110

19. Supplementary Information Required Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes and license fees paid or accrued in 2022.

Value-added Tax (VAT)
The Company's services are subject to output value added tax (VAT) while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2022:

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of services	₱1,579,636	₱189,556
Exempt sales	11,747,432	–
	₱13,327,068	₱189,556

b. Input VAT for 2022:

	Total
Balance at January 1, 2022	₱45,881
Current year's domestic purchases/payments or importations for:	
Services lodged under other accounts	777,067
Claims for tax credit/refund and other adjustments	(761,423)
Balance at December 31, 2022	₱61,525

Other Taxes and Licenses

All other taxes, local and national, including real estate taxes, license and permit fees are included under 'Cost of Contracts Issued' and 'Taxes and Licenses' account under the General, Administrative and Selling expenses:

	Amount Paid
Included in 'Cost of Contracts Issued':	
Documentary stamp taxes	
Preneed plans	₱27,644
Total	₱27,644
Included in 'General and Administrative Expenses':	
a. Local Taxes	
Mayor's permit	₱1,639,386
Community tax certificate	5,204
	1,644,590
b. National Taxes	
BIR annual registration	26,000
Insurance Commission licenses	184,325
	210,325
c. Other licenses and fees	21,541
	1,876,456
Total	₱1,904,100

Withholding Taxes for 2022

The Company remitted expanded withholding taxes of ₱0.03 million for the tax period January to December 2022. Expanded withholding taxes payable amounted to ₱0.98 million as of December 31, 2022.

Tax Assessments and Cases

The Company has not yet received any deficiency tax assessment with the Bureau of Internal Revenue or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2022.