Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors
Goldenfuture Life Plans, Inc.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
San Ezekiel, C5 Extension
Las Piñas City

We have audited the financial statements of Goldenfuture Life Plans, Inc. (the Company) for the year ended December 31, 2022, on which we have rendered the attached report dated March 28, 2023.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 9566629, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 28, 2023

P&A
Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
Goldenfuture Life Plans, Inc.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
San Ezekiel, C5 Extension
Las Piñas City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Goldenfuture Life 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 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 the financial reporting standards in the Philippines for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

As more fully described in Note 2 to the accompanying financial statements, the Company restated its 2021 financial statements to correct the classification of balance sheet accounts. The reclassification pertains to the transfer of memorial lots from inventories to investment properties as these are not held for sale in the ordinary course of business of a pre-need entity. This required the presentation of a third statement of financial position as the reclassification requires retrospective application and has a significant impact on the financial information presented in the statement of financial position as at the beginning of 2021. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards in the Philippines for pre-need companies as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As disclosed in Note 23 to the financial statements, the Company presented the supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the financial reporting standards in the Philippines for pre-need companies. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 9566629, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 28, 2023

GOLDENFUTURE LIFE PLANS, INC.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(With Corresponding Figures as of January 1, 2021)
(Amounts in Philippine Pesos)

	Notes	December 31, 2022	December 31, 2021 As Restated — see Note 2	January 1, 2021 As Restated — see Note 2
A S S E T S				
CURRENT ASSETS				
Cash	4	**P 40,706,536**	P 41,807,412	P 34,115,248
Receivables	5	**350,454**	269,149	696,625
Prepayments and other current assets	7	**1,074,360**	415,210	720,756
Total Current Assets		**42,131,350**	42,491,771	35,532,629
NON-CURRENT ASSETS				
Investments in trust fund	8	**41,282,229**	24,163,392	10,484,645
Investments in insurance premium fund	8	**1,220,482**	825,269	-
Investment properties	6	**106,431,803**	106,431,803	106,431,803
Property and equipment - net	9	**4,529,581**	5,103,279	5,436,303
Right-of-use asset - net	10	**3,505,796**	4,059,343	4,612,889
Total Non-current Assets		**156,969,891**	140,583,086	126,965,640
TOTAL ASSETS		**P 199,101,241**	P 183,074,857	P 162,498,269
L I A B I L I T I E S AND E Q U I T Y				
CURRENT LIABILITIES				
Trade and other payables	11	**P 10,522,272**	P 10,055,728	P 7,212,499
Lease liability	10	**518,674**	490,130	463,157
Income tax payable		**-**	137,938	-
Total Current Liabilities		**11,040,946**	10,683,796	7,675,656
NON-CURRENT LIABILITIES				
Planholders' deposits	12	**980,051**	461,812	143,940
Pre-need and insurance premium reserves	8	**17,735,745**	10,268,344	3,156,183
Lease liability	10	**3,321,474**	3,840,148	4,330,278
Total Non-current Liabilities		**22,037,270**	14,570,304	7,630,401
Total Liabilities		**33,078,216**	25,254,100	15,306,057
EQUITY				
Capital stock	17	**125,000,000**	125,000,000	125,000,000
Deposit on future stock subscription	2	**26,431,803**	26,431,803	26,431,803
Revaluation reserves	8	**(402,445)**	(149,216)	34,204
Retained earnings	8	**14,993,667**	6,538,170	(4,273,795)
Total Equity		**166,023,025**	157,820,757	147,192,212
TOTAL LIABILITIES AND EQUITY		**P 199,101,241**	P 183,074,857	P 162,498,269

See Notes to Financial Statements.

GOLDENFUTURE LIFE PLANS, INC.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
PREMIUM REVENUE	8	**P 43,989,196**	P 46,281,227
COSTS AND EXPENSES	13		
General and administrative expenses		**32,001,894**	31,976,722
Cost of plan contracts issued		**7,566,943**	7,289,221
		39,568,837	39,265,943
OPERATING INCOME		**4,420,359**	7,015,284
OTHER INCOME (CHARGES)			
Interest income	4, 8	**4,239,562**	3,943,739
Trust fund income	8	**296,787**	341,459
Interest expense	10	**(233,080)**	(260,053)
Miscellaneous		**43,962**	43,500
		4,347,231	4,068,645
PROFIT BEFORE TAX		**8,767,590**	11,083,929
TAX EXPENSE	15	**312,093**	271,964
NET INCOME		**8,455,497**	10,811,965
OTHER COMPREHENSIVE LOSS			
Item that will be reclassified subsequently to profit or loss			
Fair value losses on financial assets at fair value through comprehensive income	8	**(253,229)**	(183,420)
TOTAL COMPREHENSIVE INCOME		**P 8,202,268**	P 10,628,545

See Notes to Financial Statements.

GOLDENFUTURE LIFE PLANS, INC.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock (see Note 17)	Deposit on Future Stock Subscription (see Note 2)	Revaluation Reserves (see Note 8)	Retained Earnings (Deficit) (see Note 8)			Total Equity
				Appropriated	Unappropriated	Total	
Balance at January 1, 2022	P 125,000,000	P 26,431,803	(P 149,216)	P 704,002	P 5,834,168	P 6,538,170	P 157,820,757
Total comprehensive income (loss) for the year	-	-	(253,229)	296,787	8,158,710	8,455,497	8,202,268
Balance at December 31, 2022	**P 125,000,000**	**P 26,431,803**	**(P 402,445)**	**P 1,000,789**	**P 13,992,878**	**P 14,993,667**	**P 166,023,025**
Balance at January 1, 2021	P 125,000,000	P 26,431,803	P 34,204	P 362,543	(P 4,636,338)	(P 4,273,795)	P 147,192,212
Total comprehensive income (loss) for the year	-	-	(183,420)	341,459	10,470,506	10,811,965	10,628,545
Balance at December 31, 2021	P 125,000,000	P 26,431,803	(P 149,216)	P 704,002	P 5,834,168	P 6,538,170	P 157,820,757

See Notes to Financial Statements.

GOLDENFUTURE LIFE PLANS, INC.
(A Wholly Owned Subsidiary of Fine Properties, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 8,767,590	P 11,083,929
Adjustments for:			
Interest income	4	(4,239,562)	(3,943,739)
Depreciation and amortization	9, 10	2,443,975	2,090,981
Trust fund income	8	(296,787)	(341,459)
Interest expense	10	233,080	260,053
Operating profit before working capital changes		6,908,296	9,149,765
Decrease (increase) in receivables		(81,305)	427,476
Decrease (increase) in prepayments and other current assets		(659,150)	42,021
Increase in trade and other payables		466,544	2,981,167
Increase in planholders' deposits		518,239	317,872
Increase in pre-need and insurance premium reserves		7,467,401	7,112,161
Cash generated from operations		14,620,025	20,030,462
Interest income received	4	4,239,562	3,943,739
Cash paid for income taxes		(450,031)	(8,439)
Net Cash From Operating Activities		18,409,556	23,965,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions to the trust fund and insurance premium fund	8	(17,470,492)	(14,345,977)
Acquisitions of property and equipment	9	(1,316,730)	(1,204,411)
Cash Used in Investing Activities		(18,787,222)	(15,550,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liability	10	(723,210)	(723,210)
NET INCREASE (DECREASE) IN CASH		(1,100,876)	7,692,164
CASH AT BEGINNING OF YEAR		41,807,412	34,115,248
CASH AT END OF YEAR		P 40,706,536	P 41,807,412

See Notes to Financial Statements.

GOLDENFUTURE LIFE PLANS, INC.
(*A Wholly Owned Subsidiary of Fine Properties, Inc.*)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Company Information

Goldenfuture Life Plans, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 22, 2016, primarily to engage in the business of organizing, establishing, developing, conducting, maintaining, operating and selling of pre-need life plans, to be delivered in the future to plan holders, subscribers, purchasers and their assignees, and/or arrangements for funeral or memorial services and merchandise, or articles of all kinds and descriptions necessary or pertinent thereto and all types of funeral merchandise, equipment and/or services pertaining to the funeral business, to provide funeral or memorial services involving the care of the remains of the dead. The Company started its commercial operations on August 19, 2019.

The Company is a wholly owned subsidiary of Fine Properties, Inc. (FPI or the parent company). FPI is a holding entity incorporated in the Philippines.

The registered office address of the Company is at San Ezekiel, C5 Extension, Las Piñas City. The parent company's registered office and principal place of business is located at LGF Building B, Evia Lifestyle Center, Daang Hari, Almanza Dos, Las Piñas City.

1.2 Pre-need Code of the Philippines

On December 3, 2009, the President of the Philippines signed into law Republic Act (R.A.) No. 9829, otherwise known as the *Pre-need Code of the Philippines* (the Pre-need Code). The Pre-need Code transfers the primary and exclusive supervision and regulation of pre-need companies from the SEC to the Insurance Commission (IC) and vested the IC, among others, the powers and functions to:

(i) approve, amend, renew or deny any license, registration or certificate issued;

(ii) regulate, supervise and monitor the operations and management of pre-need companies;

(iii) take over pre-need companies which fail to comply with the Pre-need Code, related laws, rules, regulations and orders issued through the Pre-need Code; and,

(iv) formulate policies and recommendations on issues concerning the pre-need industry, including proposed legislations.

1.3 Continuing Impact of COVID-19 Pandemic on Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

1.4 Approval of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2022 (including the comparative financial statements as of and for the year ended December 31, 2021) were authorized and approved for issue by the Company's Board of Directors (BOD) on March 28, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied during the period, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Financial Reporting Standards in the Philippines for Pre-need Companies

The financial statements of the Company have been prepared in accordance with the financial reporting standards in the Philippines for pre-need companies, which include Financial and Sustainability Reporting Standards Council (FSRSC), and the guidelines in determining reserves and liabilities relating to pension, educational and life plans and contracts, and financial statements presentation using the Pre-need Uniform Chart of Accounts (PNUCA) as required by the SEC, which is now adopted by the IC. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or make a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Company restated its 2021 financial statements to correct the classification of balance sheet accounts. The reclassification pertains to the transfer of memorial lots from inventories to investment properties (see Note 6), as these are not held for sale in the ordinary course of business of a pre-need entity. This required the presentation of a third statement of financial position as the reclassification requires retrospective application and has a significant impact on the financial information presented in the statement of financial position as at the beginning of 2021.

The effects of the prior period restatement to the 2021 statement of financial position are summarized below.

	As Previously Reported	Effects of Prior Period Restatement	As Restated
Changes in assets:			
Investment properties	P -	P 106,431,803	P 106,431,803
Inventories	106,431,803	(106,431,803)	-
		P -	

The restatement had no impact on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2021.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment –Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

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

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that are not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments are not relevant to the Company:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2023)

(vi) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2023)

2.3 Current versus Non-current classification

The Company presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follow.

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 financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All 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 any expected credit loss (ECL).

The Company's financial assets categorized as amortized cost are presented as Cash, Receivables (except advances to employees), Prepayments and Other Current Assets (with respect to refundable deposit), and Investments in Trust Fund and Insurance Premium Fund (with respect to cash and cash equivalents, and loans and receivables, and financial assets at amortized cost) in the statement of financial position. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash generally include cash on hand and in banks, which are subject to insignificant risk of changes in value.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as financial assets at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has designated debt instruments under its trust fund as financial assets at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, if any, are recognized in other comprehensive loss, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in the statement of comprehensive income as part of Other income, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Interest income on financial assets measured at amortized cost and debt securities measured at FVOCI is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest earned is recognized as part of Interest income under Other Income account in the statement of comprehensive income.

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

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

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses and recognizes allowance for ECL on its financial assets measured at amortized cost and debt instruments measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company recognizes lifetime ECL for receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

For debt instruments measured at FVOCI, the Company uses external benchmarking approach to calculate ECL. The provision rates are derived from published global credit ratings by external rating agencies, e.g., Standard & Poors credit rating, Moody's Credit Review, etc. As referenced to these external credit benchmarks, the Company defines the credit ratings based on internal default experience, and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Company makes an annual re-assessment of the applicability and reliability of the reference rates used.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period. The Company determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive loss and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include trade and other payables (except tax-related liabilities), accrued trust fees and other expenses (recognized as part of Investments in Trust Fund account), and lease liability are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as part of Interest Expense in the statement of comprehensive income.

Except for lease liability (see Note 2.11), all financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for those with maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Currently, the investment properties are regarded as held for capital appreciation.

Investment property, which pertains to memorial lots, is stated at cost less any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

The carrying amount of investment property is written down immediately to its recoverable amount if the carrying amount of investment property is greater than its estimated recoverable amount (see Note 2.12).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the investment property) is included in profit or loss in the year the item is derecognized.

2.6 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

The carrying amount of prepayment and other assets is written down immediately to its recoverable amount if the carrying amount of prepayment and other assets is greater than its estimated recoverable amount (see Note 2.12).

2.7 Property and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for office equipment, and furniture and fixtures are computed on a straight-line basis over the estimated useful lives of the assets of five years.

Leasehold improvements are amortized over their estimated useful lives of five years or over the term of the lease, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

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

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Pre-Need and Insurance Premium Reserves

Pre-need reserves (PNR) are recognized for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need life plan contracts. PNR for life plans are determined using the requirements on provisioning of PAS 37 and the specific method of computation required by the IC as described below and in the succeeding page.

The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision.

PNR is computed based on the following considerations:

i. On Actively Paying Plans

   Provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions required per product model discounted using a 6% discount rate which may be higher than the attainable rate as certified by the Trustee.

ii. On Lapsed Plans

   Provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions at lapse date, multiplied by the reinstatement rate.

iii. On Fully Paid Plans

Provision is equivalent to the present value of future plan benefits discounted using the rate prescribed by the IC.

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

v. The rates of surrender, cancellation, reinstatement, utilization, and inflation, when applied, represent the actual experience of the Company in the last three years, or the industry, in the absence of a reliable experience.

vi. The probability of pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans. A pre-termination experience on fully paid plans is zero and are considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date.

The computation of the foregoing assumptions is validated and certified by the IC-accredited actuary of the Company.

Any excess in the amount of the trust fund as a result of the revised reserve requirement shall neither be released from the fund nor be credited/set-off to future required contributions.

The Company also sets up other provisions in accordance with PAS 37 to cover its obligations such as insurance premium reserves (IPR). IPR is the present value of all insurance premiums payable to the insurance company. Similar to PNR, the calculation uses the same actuarial assumptions and considers the portion of the future instalments allotted for insurance expenses.

2.10 Revenue and Expense Recognition

The Company's revenues arising from its pre-need contracts are recognized based on PNUCA as required by the IC, while interest income and trust fund income are accounted for under PFRS 9 (see Note 2.4).

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

Income generated by the trust fund is included in Investments in Trust Fund and Insurance Premium Fund accounts in the statement of financial position and credited to Trust Fund Income account in the statement of comprehensive income except for the fair value gains or losses on FVOCI securities of the trust fund which is recognized as part of Revaluation Reserves under equity section of the statement of financial position. The trust fund income is restricted and cannot be distributed as dividends as discussed in Note 8.2. It is, therefore, not part of the Company's disbursable operating receipts.

Other costs and expenses are recognized in profit or loss upon utilization of the goods and services or at the date they are incurred. Finance costs are reported on an accrual basis.

2.11 Leases – Company as a Lessee

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use asset and lease liability have been presented separately from all other assets and liabilities accounts.

2.12 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use asset, investment properties, and other non-financial assets are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.13 Employee Benefits

The Company provides post-employment and other benefits to its employees through the following:

(a) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity, such as the Social Security System. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and included in current liabilities or current assets as they are normally of a short-term nature.

(b) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(c) Short-term Employee Benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

2.14 Income Taxes

Tax expense recognized in the statement of comprehensive income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.15 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; and, (b) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.16 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserves pertains to accumulated unrealized fair value gains or losses on financial assets at FVOCI.

Unappropriated retained earnings includes all current and prior period results of operations as reported in profit or loss section of the statement of comprehensive income, net of appropriated retained earnings.

Appropriated retained earnings represent the accumulated trust fund income that is automatically restricted to payments of benefits of planholders and related payments as required in the amended PNUCA.

Deposit on future stock subscription refers to the amount of money or property received by the Company with the purpose of applying the same as payment for future issuance of stock. Under relevant SEC rules, the Company shall recognize the deposit on future stock subscription as part of the equity if all of the criteria are met at the end of the reporting period:

- lack or insufficiency of authorized unissued shares of stock to cover for the deposit;
- approval by the Company's BOD and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,
- application for the approval of the increase in authorized capital stock has been presented for filing or has been filed with the SEC.

In the case of the Company, its unissued shares are adequate for the amount of deposit on future stock subscription, however, the related shares have not yet been issued. Accordingly, the amount remains as deposit for future stock subscription under Equity section in the statements of financial position.

2.17 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with the financial reporting standards in the Philippines for pre-need companies requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of office spaces, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of office spaces because the terms are renewable upon the mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Evaluation of Business Model Applied in Managing Financial Instruments

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

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(c) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

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

(d) Distinction Between Investment Property and Owner-managed Property

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Management assessed that the Company's memorial lots should be classified as investment property (see Note 6).

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and disclosures on relevant provisions and contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liability

The Company measures its lease liability at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the lease, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 18.2.

(c) Estimation of Pre-need Reserves for Life Plans

The Company's actuary used certain assumptions and estimates in computing the amount of PNR on life plans. The determination of PNR for life plans is based on the guidelines issued by the IC to reflect the Company's own experience. The risks and uncertainties that inevitably surround many events and circumstances were taken into account in reaching the best estimate. Consequently, the assumptions used by the actuary in computing the PNR may vary as a result of changes in economic condition, the Company's operating results and other factors.

The assumptions and amount of liability recognized by the Company as at December 31, 2022 and 2021 are disclosed in Note 8.3.

(d) Fair Value Measurement for Financial Assets

Management, in coordination with the trustee bank, applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values of the Company's financial assets at FVOCI (included under Investments in Trust Fund) and the amounts of fair value changes recognized on those assets are disclosed in Note 8.2.

(e) Determining Fair Value of Investment Property

The Company's investment property pertains to memorial lots, which are carried at cost at the end of the reporting period. However, the accounting standards require the disclosure of the fair value of the investment property. In determining the fair value of this asset, the Company uses market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as discussed in Note 20.4.

(f) Estimation of Useful Lives of Property and Equipment and Right-of-use Asset

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

The carrying amounts of property and equipment and right-of-use asset are analyzed in Notes 9 and 10.1, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.12). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, no impairment losses were necessary to be recognized on the Company's non-financial assets for the year ended December 31, 2022 and 2021.

(h) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. As at December 31, 2022 and 2021, management assessed that the deferred tax assets may not be utilized with the coming years. Accordingly, no deferred tax assets are recognized as at December 31, 2022 and 2021 (see Note 15).

4. CASH

Cash include the following components as at December 31:

	2022	2021
Cash in banks	**P 40,603,016**	P 41,610,539
Cash on hand	**103,520**	196,873
	P 40,706,536	P 41,807,412

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income earned on cash in banks amounting to P26,667 and P42,195 in 2022 and 2021, respectively, is presented as part of Interest Income in the statements of comprehensive income.

5. RECEIVABLES

This account pertains to advances to employees amounting to P350,454 and P269,149 as at December 31, 2022 and 2021, respectively. Advances to employees are cash advances made by employees for the projects of the Company subject to liquidation of expenses incurred.

The Company's receivables have been assessed for impairment. Management considers that all of its receivables are fully collectible; hence, no impairment loss is required to be recognized in 2022 and 2021 [see Note 18.2(b)].

6. INVESTMENT PROPERTIES

On December 6, 2016, FPI purchased 1,250,000 shares of stock for a total subscription price of P124,500,000. FPI paid P40,000,000 in cash and assigned 1,200 memorial lots to the Company with a fair value of P106,431,803, of which P80,000,000 was applied as payment to subscription of shares and the remaining P26,431,803 is presented as Deposit on Future Stock Subscription as per subscription agreement.

None of the Company's investment properties have generated rental income. There was also no significant directly attributable cost, purchase commitments and any restrictions as to use related to these investment properties during the reporting periods (see Note 20.4).

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following as at December 31:

	2022		2021	
Prepaid expenses	**P**	**822,424**	P	306,051
Prepaid taxes		**115,961**		-
Refundable deposit		**69,000**		69,000
Input VAT		**66,975**		40,159
	P	**1,074,360**	P	415,210

8. PREMIUM REVENUE, INVESTMENTS IN TRUST FUND, INVESTMENTS IN INSURANCE PREMIUM FUND, AND PRE-NEED AND INSURANCE PREMIUM RESERVES

8.1 Premium Revenue

In 2022 and 2021, total premium collections amounted to P43,989,196 and P46,281,227, respectively, and are presented as Premiums in the statements of comprehensive income.

8.2 Investments in Trust Fund

In accordance with the IC requirements, the Company has established a trust fund, which is being administered by a local bank under trust agreement for the fulfilment of the Company's obligations under the pre-need plans covering Life Plans. The trust fund is maintained to cover the actuarially-determined contractual liabilities for the PNR of life plans in compliance with the rules and regulations of the IC.

The underlying assets and liabilities of the trust fund are recognized and measured in accordance with the applicable financial reporting standards as described in Note 2.4. The balance of the trust fund as at December 31, 2022 and 2021 represents the trust fund contributions, net of withdrawals for payments under the plans. Deposits are being made based on the applicable provisions of the Pre-need Code in an amount determined by the accredited actuary sufficient to pay the benefits promised under the contract.

In compliance with the rules of the IC and in accordance with the terms of the trust agreement, withdrawals from the trust fund are limited to, among others, payment of pre-need plan benefits, bank charges and investment expenses in the operation of the trust fund, termination value payable to planholders and final taxes on investment income of the trust funds.

The details of the Investments in Trust Fund account as at December 31, 2022 and 2021 as reported in the statements of financial position are shown below.

		2022		2021
Assets:				
Cash and cash equivalents	**P**	**6,538,198**	P	3,130,163
Financial assets at FVOCI – Debt securities		**19,170,183**		15,302,089
Financial assets at FVTPL – Equity securities		**14,902,359**		5,459,755
Financial assets at amortized cost		**763,914**		199,819
Loans and receivables		**150,116**		87,398
		41,524,770		24,179,224
Liabilities –				
Accrued trust fees and other expenses	**(**	**242,541)**	(	15,832)
	P	**41,282,229**	P	24,163,392
Equity:				
Fund balance at beginning of year	**P**	**24,163,392**	P	10,484,645
Contributions during the year		**17,075,279**		13,520,708
Earnings for the year		**296,787**		341,459
Fund balance at end of year		**41,535,458**		24,346,812
Fair value losses during the year	**(**	**253,229)**	(	183,420)
	P	**41,282,229**	P	24,163,392

Financial assets at FVOCI consists of government bonds and treasury bills which have annual interest rates ranging from 2.38% to 9.25% both in 2022 and 2021. Income earned, net of expenses incurred, amounted to P296,787 and P341,459 in 2022 and 2021, respectively, and is presented as part of Trust Fund Income under Other Income (Charges) account in the statements of comprehensive income.

Presented below is the income statement of Investment in Trust Fund account for the year ended December 31, 2022 and 2021.

	2022	2021
Interest Income:		
Deposit in banks	**P 104,110**	P 7,723
Financial assets at FVOCI –		
Debt securities	**446,596**	201,595
	550,706	209,318
Fair value gains (losses):		
Financial assets at amortized cost	**(40,668)**	35,480
Financial assets at FVTPL –		
Equity securities	**(441,013)**	(1,021)
	(481,681)	34,459
Other Income	**398,422**	169,330
Total income	**467,447**	413,107
Expenses:		
Withholding tax expense – interest	**126,911**	54,411
Trust fees	**39,153**	20,237
Provision for expected credit losses	**1,611**	(6,150)
Miscellaneous expenses	**2,985**	3,150
	170,660	71,648
Net income	**P 296,787**	P 341,459

Contributions are being made based on the applicable provisions on the Pre-need Code which requires the Company to make monthly deposits to the trust fund in an amount determined by the accredited actuary, sufficient to pay the benefits promised under the contract.

The amended PNUCA requires that no part of income from trust fund placements can be used to pay dividends to stockholders. Accordingly, the income earned, net of expenses incurred, is transferred to Appropriated Retained Earnings account in the statements of changes in equity.

8.3 Investments in Insurance Premium Fund

The Company restricted its cash in banks amounting to P1,220,482 and P825,269 in 2022 and 2021, respectively, to cover the payment of insurance premiums after the paying period of the pre-need plan, and is presented as Investments in Insurance Premium Fund in the statements of financial position.

Presented below is the reconciliation of the Company's Investments in Insurance Premium Fund.

	2022	2021
Balance at beginning of year	**P 825,269**	P -
Contributions during the year	**395,213**	825,269
Balance at end of year	**P 1,220,482**	P 825,269

8.4 Pre-need and Insurance Premium Reserves

This account consists of the following as at December 31 (see Note 13.2):

	2022	2021
Pre-need Reserves	**P 15,968,993**	P 8,831,873
Administration Reserves (AR)	**1,469,965**	1,195,166
Insurance Premium Reserves	**296,787**	241,305
	P 17,735,745	P 10,268,344

The required PNR, AR and IPR are based on the Actuarial Valuation Report issued by an independent actuary on the trust and insurance premium funds as at December 31, 2022 and 2021. AR is set-up to cover the general administrative expenses after the paying period.

The actual trust fund balance shall be the trust fund balance (as reported by the trustee) at the end of the year, net of any receivables by the pre-need company from the trustee for contractual benefits outstanding as of the end of the year. The trust fund is sufficient to cover the required reserves as at December 31, 2022 and 2021.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the end of 2022 and 2021 is presented below.

	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Service Vehicle	Total
December 31, 2022					
Cost	P 8,032,380	P 320,000	P 81,839	P 1,233,730	P 9,667,949
Accumulated depreciation and amortization	(4,686,889)	(234,167)	(32,252)	(185,060)	(5,138,368)
Net carrying amount	**P 3,345,491**	**P 85,833**	**P 49,587**	**P 1,048,670**	**P 4,529,581**
December 31, 2021					
Cost	P 7,997,380	P 320,000	P 33,839	P -	P 8,351,219
Accumulated depreciation and amortization	(3,060,289)	(170,167)	(17,484)	-	(3,247,940)
Net carrying amount	P 4,937,091	P 149,833	P 16,355	P -	P 5,103,279
January 1, 2021					
Cost	P 6,792,969	P 320,000	P 33,839	P -	P 7,146,808
Accumulated depreciation and amortization	(1,593,622)	(106,167)	(10,716)	-	(1,710,505)
Net carrying amount	P 5,199,347	P 213,833	P 23,123	P -	P 5,436,303

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Service Vehicle	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 4,937,091	P 149,833	P 16,355	P -	P 5,103,279
Additions	35,000	-	48,000	1,233,730	1,316,730
Depreciation and amortization charges for the year	(1,626,600)	(64,000)	(14,768)	(185,060)	(1,890,428)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 3,345,491**	**P 85,833**	**P 49,587**	**P 1,048,670**	**P 4,529,581**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 5,199,347	P 213,833	P 23,123	P -	P 5,436,303
Additions	1,204,411	-	-	-	1,204,411
Depreciation and amortization charges for the year	(1,466,667)	(64,000)	(6,768)	-	(1,537,435)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 4,937,091	P 149,833	P 16,355	P -	P 5,103,279

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization under General and Administrative Expenses in the statements of comprehensive income (see Note 13.1).

10. LEASES

The Company has only one lease agreement which is reflected in the statements of financial position as a right-of-use asset and a lease liability.

This lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. This is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased asset as security and they must keep this property in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased asset and incur maintenance fees on such item in accordance with the lease contract.

The Company's lease contract on office space has a remaining term of seven years in 2022 and eight years in 2021.

10.1 Right-of-use Asset

The gross carrying amounts and accumulated amortization of right-of-use asset at the beginning and end of 2022 and 2021 are shown below.

	Note	**2022**	2021
Cost		**P 5,535,467**	P 5,535,467
Accumulated amortization			
Balance at beginning of year		**1,476,124**	922,578
Amortization for the year	13.1	**553,547**	553,546
Balance at end of year		**2,029,671**	1,476,124
Carrying amount at December 31		**P 3,505,796**	P 4,059,343

10.2 Lease Liability

Lease liability is presented in the statements of financial position as at December 31, 2022 and 2021 as follows:

	2022	2021
Current	**P 518,674**	P 490,130
Non-current	**3,321,474**	3,840,148
	P 3,840,148	P 4,330,278

Presented below is the reconciliation of the Company's lease liabilities arising from financing activity.

	2022	2021
Balance at beginning of year	**P 4,330,278**	P 4,793,435
Cash flows from financing activity –		
Repayment of lease liability	**(723,210)**	(723,210)
Non-financing activities –		
Amortization of interest	**233,080**	260,053
Balance at end of year	**P 3,840,148**	P 4,330,278

The lease liability is secured by the related underlying asset. The undiscounted maturity analysis of lease liability as at December 31, 2022 and 2021 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 9 years	Total
December 31, 2022							
Lease payments	P 723,210	P 723,210	P 723,210	P 723,210	P 723,210	P 964,280	P 4,580,330
Finance charges	(204,536)	(174,329)	(142,363)	(108,536)	(72,739)	(37,679)	(740,182)
Net present values	**P 518,674**	**P 548,881**	**P 580,847**	**P 614,674**	**P 650,471**	**P 926,601**	**P 3,840,148**
December 31, 2021							
Lease payments	P 723,210	P 723,210	P 723,210	P 723,210	P 723,210	P1,687,490	P 5,303,540
Finance charges	(233,080)	(204,536)	(174,329)	(142,363)	(108,536)	(110,418)	(973,262)
Net present values	P 490,130	P 518,674	P 548,881	P 580,847	P 614,674	P1,577,072	P 4,330,278

10.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

Expenses incurred on short-term leases amounted to nil both in 2022 and 2021.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of lease amounted to P723,210 and P463,157 in 2022 and 2021, respectively. Interest expense in relation to lease liability amounted to P233,080 and P260,053 and is presented as Interest Expense in the statements of comprehensive income.

11. TRADE AND OTHER PAYABLES

As of December 31, this account consists of:

		2022		2021
Trade payables	**P**	**6,584,432**	P	5,714,003
Accrued expenses		**1,746,045**		1,890,519
Taxes and government dues		**690,925**		1,128,468
Other payables		**1,500,870**		1,322,738
	P	**10,522,272**	P	10,055,728

Trade payables account mainly represent obligations to various providers of goods and services necessary for the Company's operations.

Accrued expenses include accruals for audit fees, commissions and other operating expenses.

Other payables consist of unspecified deposits made by planholders.

12. PLANHOLDERS' DEPOSIT

This account represents payments received from planholders, which have not yet been recognized as revenue as the customers are yet to complete the required documentation. As at December 31, 2022 and 2021, the account has a balance of P980,051 and P461,812, respectively.

13. COSTS AND EXPENSES

13.1 General and Administrative Expense

This account consists of the following:

	Notes		2022		2021
Salaries and employee benefits	14	**P**	**11,264,647**	P	9,855,855
Commission			**7,156,375**		10,893,730
Depreciation and amortization	9, 10.1		**2,443,975**		2,090,981
Repairs and maintenance			**2,280,846**		1,062,379
Advertising and promotions			**1,709,458**		1,011,600
Professional fees			**1,563,793**		1,235,492
Claims			**1,116,497**		2,038,259
Utilities			**913,376**		894,975
Insurance			**772,433**		683,940
Office supplies			**617,414**		561,959
Transportation and travel			**516,828**		201,912
Outside services			**496,806**		228,510
Taxes and licenses			**251,126**		155,014
Miscellaneous			**898,320**		1,062,116
		P	**32,001,894**	P	31,976,722

Commission expense pertains to a percentage of premiums paid to sales agents who market the Company's products.

Miscellaneous includes collection fees, meetings and conferences, bank charges, dues and subscription, representation and other expenses.

13.2 Costs of Plan Contracts Issued

This account consists of the following:

	Note	2022	2021
Increase in pre-need and insurance premium reserves	8.4	**P 7,467,401**	P 7,112,161
Documentary stamp tax		**87,875**	92,560
IC registration fee		**11,667**	84,500
		P 7,566,943	P 7,289,221

14. SALARIES AND EMPLOYEE BENEFITS

The details of this account as at December 31 are presented below.

	Note	2022	2021
Salaries and wages		**P 8,765,463**	P 7,266,692
Employee benefits		**1,598,597**	1,805,432
Social security and other contributions		**900,587**	783,731
	13.1	**P 11,264,647**	P 9,855,855

15. TAXES

15.1 Current and Deferred Taxes

The components of tax expense as reported in the statements of comprehensive income are as follows:

	2022	2021
Current tax expense:		
Minimum corporate income tax (MCIT) at 1%	**P 306,760**	P 362,194
Final tax at 20%	**5,333**	8,439
Effect of change in income tax rate in 2020	**-**	(98,669)
	P 312,093	P 271,964

A reconciliation of tax on pre-tax income computed at the applicable statutory rates to tax expense reported in the profit or loss section of the statements of comprehensive income is presented below.

	2022	2021
Tax on pre-tax income at 25%	**P 2,191,898**	P 2,770,982
Adjustment for income subjected to lower income tax rate	**(1,334)**	(2,108)
Effect of the change in income tax rate	**-**	(98,669)
Tax effects of:		
Actual contribution in trust funds	**(4,367,623)**	(3,457,456)
Non-deductible expenses	**1,866,850**	1,778,040
Unrecognized deferred tax asset (liability)	**696,499**	(633,460)
Non-taxable income	**(74,197)**	(85,365)
Tax expense	**P 312,093**	P 271,964

The net operating loss carry-over (NOLCO) incurred by the Company can be claimed as deductions from their respective future taxable profits within three to five years after the tax loss was incurred. Specifically, the NOLCO incurred in 2021 and 2020 can be claimed as deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented through Revenue Regulations (RR) No. 25-2020.

The Company did not recognize the deferred tax assets arising from the cumulative NOLCO as at December 31, 2022 and 2021. The details of NOLCO are as follows:

Year Incurred	Amount	Applied/ Expired	Balance	Valid Until
2022	P 1,495,539	P -	P 1,495,539	2025
2020	4,846,817	-	4,846,817	2025
2019	4,482,939	(4,482,939)	-	
	P 10,825,295	**(P 4,482,939)**	**P 6,342,356**	

Also, the Company did not recognize the net deferred tax asset arising from MCIT in 2022 and 2021, and from temporary difference on recognition of right-of-use asset and lease liability amounting to P83,588 and P67,734 as of December 31, 2022 and 2021.

The Company is subject to MCIT which is computed at 1% both in 2022 and 2021, and 2% in 2020 of gross income net of allowable deductions or to regular corporate income tax (RCIT), whichever is higher. In 2022 and 2021, the Company's MCIT is higher than RCIT. The unused MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount	Applied	Balance	Valid Until
2022	P 306,760	P -	P 306,760	2025
2021	362,194	-	362,194	2024
2020	296,008	-	296,008	2023
	P 964,962	**P -**	**P 964,962**	

In 2022 and 2021, the Company opted to claim itemized deductions in computing for its income tax due.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include its shareholders, its parent company, a related party under common control and key management personnel. The Company has no receivable from or payable to a related party with outstanding balance as at December 31, 2022 and 2021.

In 2022 and 2021, the compensation of the key management personnel is covered by the parent company at no cost to the Company. This compensation are all short-term benefits.

17. CAPITAL STOCK

The Company's authorized capital stock consists of 5,000,000 common shares at P100 par value per share. As at December 31, 2022 and 2021, the number of total shares subscribed, issued and outstanding totaled 1,250,000 shares for a total amount of P125,000,000.

As at December 31, 2022 and 2021, the Company has six stockholders owning 100 or more shares each of the Company's capital stock.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are discussed below and in the succeeding pages.

18.1 Interest Rate Risk

The Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its cash and cash equivalents. To minimize the possible adverse effects of these fluctuations on the Company's profit and loss, only placements with interest rates that are within the prevailing market rates are pursued. Placements with interest rates which are significantly higher or lower than the prevailing market rates are not prioritized by the Company following the concept of risk and return trade-off.

The Company also maintains short-term placements on its trust fund account which is managed by a trustee bank (see Note 8.2). In addition, the Company has no long-term borrowings with variable or fixed interest rates as at December 31, 2022 and 2021. As such, the impact of interest rate changes is expected to be insignificant to the Company's operations.

Meanwhile, the Company's PNR is computed based on the attainable, reinstatement and other applicable rates; however, these rates are not sensitive to fluctuations as these are based on historical rate experience of the Company.

18.2 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below.

	Notes	**2022**	2021
Cash in banks	4	**P 40,603,016**	P 41,610,539
Refundable deposit	7	**69,000**	69,000
Investments in insurance premium fund	8.3	**1,220,482**	825,269
Investments in trust fund	8.2	**41,524,770**	24,179,224
		P 83,417,268	P 66,684,032

The Company continuously monitors defaults of other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below and in the succeeding page.

(a) Cash

As part of Company policy, bank deposits are maintained with reputable financial institutions. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution as provided for under R.A. 9576, *Charter of Philippine Deposit Insurance Corporation.*

The credit risk for cash in banks managed by the Company and those presented under Investments in Trust Fund account is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Receivables

The Company applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all receivables.

The expected loss rate is based on the payment profile of the counterparty for the period of 12 months before December 31, 2022 and 2021, and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables. Management has assessed that no loss allowance is required to be recognized as at December 31, 2022 and 2021 (see Note 5).

(c) Refundable Deposit

Management does not expect significant credit risk on refundable deposit as the counterparty is a reputable entity, and the balance can be applied against future rental payments at the option of the Company.

(d) Debt Securities

Debt securities measured at FVOCI are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considered "low credit risk" for listed debt securities to be an investment grade rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Management assesses that loss allowance for debt securities, if any, are not significant as the counterparties are the government and reputable banks.

18.3 Liquidity Risk

The Company monitors the liquidity of its assets and matches the estimated maturity of its obligations in line with the Company's policy to maintain adequate liquidity at all times. This policy aims to honor all cash requirements on an ongoing basis and to avoid raising funds above market rates or through the forced sales of assets.

The Company maintains trust funds which are being administered by a local bank in accordance with the IC requirements to cover the PNR for life plans.

Except for lease liability (see Note 10.2), all of the Company's financial liabilities have contractual maturities of 6 to 12 months as at December 31, 2022 and 2021.

The details of financial liabilities as at December 31 are presented below.

	Notes	**2022**	2021
Trade and other payables	11	**P 9,831,346**	P 8,927,260
Lease liability	10.2	**4,580,330**	5,303,540
Accrued trust fees and other expenses*	8.2	**242,541**	15,832
		P 14,654,217	P 14,246,632

**Presented as part of Investments in Trust Fund.*

18.4 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and, therefore, unpredictable.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographic location and type of industry covered.

The Company manages this risk through the trust fund which is administered by a local bank. This trust fund is at least equal or higher than the estimated liabilities. Also, the Company monitors the profile of its planholders to ensure diversity with respect to age, lifestyle and other insurance risk factors.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 Carrying Amounts and Fair Values

The financial assets and liabilities presented in the statements of financial position, including the trust fund account, are carried at amounts that are equal to their respective fair values. As per the requirements of PFRS 7, disclosures of fair value are not necessary when the carrying amount of a financial instrument is a reasonable approximation of its fair value. Accordingly, no such disclosures have been made for the aforementioned financial assets and liabilities.

See Note 2.4 for the description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

20. FAIR VALUE MEASUREMENT AND DISCLOSURES

20.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

20.2 Financial Instruments Measured at Fair Value

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) Equity Securities

As at December 31, 2022, instruments included in Level 1 comprise of equity securities classified as financial assets at FVTPL. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

(b) Debt Securities

Financial assets measured at fair value only pertains to government bonds and treasury bills classified as financial assets at FVOCI under Investments in Trust Fund account in the statements of financial position amounting to P19,934,097 and P15,302,089 as at December 31, 2022 and 2021, respectively (see Note 8.2). These debt securities are included in Level 1 as their prices are estimated by reference to quoted bid price in active market [i.e., Bloomberg Valuation] at the end of the reporting period.

There have been no transfers between Levels 1 and 2 in the reporting period.

The Company has no financial liabilities measured at fair value as at December 31, 2022 and 2021.

20.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

For the Company's financial assets and financial liabilities measured at amortized cost as at December 31, 2022 and 2021, management determined that their carrying amounts are equal to or approximate their fair values (see Note 19.1); hence, no further comparison between the carrying amounts and fair values, as well as fair value hierarchy, is presented.

Except for cash and investment in insurance premium fund which are included in Level 1 of the fair value hierarchy, all of the Company's financial assets and financial liabilities at amortized cost are included in Level 3.

20.4 Fair Value Measurement of Investment Properties

The Company's investment properties amounting to P106.43 million are categorized under Level 2 hierarchy of non-financial assets measured at cost as of December 31, 2022 and 2021.

The fair value of the Company's investment properties amounting to P276.11 million as of December 31, 2022 and 2021 are derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

There has been no change to the valuation techniques used by the Company during the year for its non-financial asset. Also, there were no changes made in the Level 2 classification in 2022 and 2021.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to its overall financing structure (i.e., equity and financial liabilities). The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's debt-to-equity ratio as of December 31 is shown below:

	2022	2021
Total liabilities	**P 33,078,216**	P 22,254,100
Total equity	**166,023,025**	157,820,757
Debt-to-equity ratio	**0.20 : 1.00**	0.14 : 1.00

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. As at December 31, 2022 and 2021, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages are the supplementary information which is required by the Bureau of Internal Revenue (BIR) under RR No. 15-2010 and RR No. 34-2020 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under financial reporting standards in the Philippines for pre-need companies.

23.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output Value-added Tax (VAT)

In 2022, the Company declared output VAT amounting to P5,785,264 levied on its receipts derived from selling of memorial (life) plans amounting to P48,210,533.

The tax bases are included as part of Interest Income (for interest earned on collections from installment basis policies) and as Premiums in the statements of comprehensive income. The tax bases for the aforementioned income are based on the Company's gross receipts for the year; hence, may not be the same with the amounts recognized in the 2022 statement of comprehensive income.

The Company has VAT payable amounting to P487,905 as at December 31, 2022.

(b) Input VAT

The movements in Input VAT in 2022 are summarized below.

Balance at beginning of year	P -
Purchase of goods other than capital goods	126,097
Purchase of services	595,372
Applied against output VAT	(721,469)
Balance at end of year	**P -**

(c) Taxes in Importation

In 2022, the Company has not imported goods for the Company's use, hence, there were no customs' duties and tariff fees that were accrued or paid during the year.

(d) Excise Tax

The Company did not have any transactions in 2022 which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

DST paid and accrued in 2022 on premium collections amounted to P87,875 and is presented as part of Costs of Plan Contracts Issued in the 2022 statement of comprehensive income.

(f) Taxes and Licenses

Other than the DST paid during the year, taxes and licenses incurred and paid in 2022 pertains to permits and licenses amounting to P251,126 which is presented as part of General and Administrative Expenses in the 2022 statement of comprehensive income.

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P 1,049,221
Compensation and benefits	765,193
	P 1,814,414

The Company did not have transactions subject to final withholding taxes in 2022.

(h) Deficiency Tax Assessment and Tax Cases

As at December 31, 2022, the Company does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable open years.

23.2 Requirements Under RR No. 34-2020

Revenue Memorandum Circular No. 54-2021 was issued to clarify certain provisions of RR No. 34-2020, which prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Company is not covered by these requirements as the Company did not have any transactions with its related parties during the current taxable year that qualified under the provisions of RR No. 34-2020.