Singlife Philippines Inc.
(*formerly Singapore Life (Philippines) Inc.*)

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	9	0	0	0	8	7

COMPANY NAME

SINGLIFE PHILIPPINES INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

12F, FOUR/NEO BLDG., 4TH AVENUE
COR. 30TH ST., BONIFACIO
GLOBAL CITY, FORT BONIFACIO,
TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
rien@singlife.com	N/A	09175710028
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
8		December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Michelle Carisse S. Balois	mnsuarez@ferialaw.com	8889-8677	

CONTACT PERSON's ADDRESS

8th Floor DPC Place, 2322 Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SINGLIFE PHILIPPINES INC. (formerly Singapore Life (Philippines) Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents (Note 5)	**₱87,118,896**	₱980,897,039
Financial assets (Note 6)		
Financial assets at fair value through profit or loss	**1,071,422,198**	268,707,616
Loans and receivables	**128,948**	25,314
Accrued income (Note 7)	**6,470,833**	1,475,519
Office equipment - net (Note 8)	**3,074,787**	1,538,934
Deferred tax asset (Note 18)	**850,333**	-
Other assets (Note 9)	**6,279,527**	1,394,643
	₱1,175,345,522	₱1,254,039,065
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Note 10)	**₱5,693,495**	₱-
Trade and other liabilities (Note 11)	**17,023,515**	11,538,044
Pension liability (Note 16)	**2,834,443**	-
	25,551,453	11,538,044
Equity		
Capital stock (Note 12)	**1,300,000,000**	1,300,000,000
Deficit	**(149,024,903)**	(57,498,979)
Remeasurement losses on pension obligation (Note 16)	**(1,181,028)**	-
	1,149,794,069	1,242,501,021
	₱1,175,345,522	₱1,254,039,065

See accompanying Notes to Financial Statements.

SINGLIFE PHILIPPINES INC. (formerly Singapore Life (Philippines) Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2020	For the period March 15, 2019 to December 31, 2019
REVENUE		
Gross premiums on insurance contracts issued (Note 13)	**₱8,477,185**	₱-
Investment income (Note 13)	**102,140,461**	477,906
Foreign exchange gains - net	**139,898**	-
	110,757,544	477,906
BENEFITS, CLAIMS AND OPERATING EXPENSES		
Gross benefits and claims (Note 13)	**557,177**	-
Increase in legal policy reserves (Note 10)	**5,260,818**	-
Net insurance benefits and claims	**5,817,995**	-
General and administrative expenses (Note 14)	**189,307,806**	55,054,164
Commissions and other underwriting expenses (Note 15)	**3,885,027**	-
Foreign exchange losses - net	**-**	2,886,878
	199,010,828	57,941,042
LOSS BEFORE INCOME TAX	**88,253,284**	57,463,136
PROVISION FOR INCOME TAX (Note 18)	**3,272,640**	35,843
NET LOSS	**91,525,924**	57,498,979
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified into profit or loss, net of tax:		
Remeasurement losses on pension obligation (Note 16)	**1,181,028**	-
TOTAL COMPREHENSIVE LOSS	**₱92,706,952**	₱57,498,979

See accompanying Notes to Financial Statements.

SINGLIFE PHILIPPINES INC. (formerly Singapore Life (Philippines) Inc.)

STATEMENTS OF CHANGES IN EQUITY

	December 31	
	2020	2019
Capital Stock - P100 par value		
Authorized and issued - 13,000,000 shares (Note 12)	**₱1,300,000,000**	₱1,300,000,000
Deficit		
Balance at beginning of year	**(57,498,979)**	-
Net loss	**(91,525,924)**	(57,498,979)
	(149,024,903)	(57,498,979)
Remeasurement losses on pension obligation (Note 16)	**(1,181,028)**	-
Balance at end of year	**₱1,149,794,069**	₱1,242,501,021

See accompanying Notes to Financial Statements.

SINGLIFE PHILIPPINES INC. (formerly Singapore Life (Philippines) Inc.)

STATEMENTS OF CASH FLOWS

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**₱(88,253,284)**	₱(57,463,136)
Adjustments for:		
Depreciation (Note 8)	**1,017,516**	130,441
Unrealized foreign exchange loss	**1,238,073**	1,917,454
Retirement expense (Note 16)	**1,147,260**	-
Net fair value gain on financial assets at fair value through profit or loss (Note 13)	**(71,280,374)**	-
Interest income (Note 13)	**(30,714,715)**	(477,906)
Dividend income (Note 13)	**(145,372)**	-
Operating income before changes in operating assets and liabilities	**(186,990,896)**	(55,893,147)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Loans and receivables (Note 6)	**(103,634)**	(25,314)
Other assets (Note 9)	**(4,884,884)**	(1,394,643)
Increase (decrease) in:		
Insurance contract liabilities (Note 10)	**5,693,495**	-
Trade and other liabilities (Note 11)	**5,485,471**	11,538,044
Net cash generated from operations	**(180,800,448)**	(45,775,060)
Proceeds from disposal and maturities of financial asset at fair value through profit or loss (Note 6)	**5,444,471,225**	-
Acquisitions of financial asset at fair value through profit or loss (Note 6)	**(6,175,905,433)**	(270,183,135)
Interest income received	**25,728,570**	477,906
Dividends received	**136,203**	-
Final tax paid	**(3,616,818)**	(35,843)
Net cash used from operating activities	**(889,986,701)**	(315,516,132)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of office equipment (Note 8)	**(2,553,369)**	(1,669,375)
CASH FLOWS USED IN FINANCING ACTIVITY		
Initial investment (Note 12)	**-**	1,300,000,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,238,073)**	(1,917,454)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(893,778,143)**	980,897,039
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**980,897,039**	-
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 5)	**₱87,118,896**	₱980,897,039

1. Corporate Information

Singlife Philippines Inc. (formerly Singapore Life (Philippines) Inc. hereafter 'the Company') was incorporated and registered with the Securities and Exchange Commission (SEC) on March 15, 2019 to carry on the business of life insurance. On February 17, 2020, the Company received its Certificate of Authority from the Insurance Commission (IC) to engage in life insurance business until December 31, 2022.

The Company is a subsidiary of Singapore Life Pte. Ltd. ('the Parent Company'). The Parent Company has direct ownership of 65% in the Company. Di-Firm Capital Pte. Ltd. ('Di-Firm') owns 20%. Both the Parent Company and Di-Firm are incorporated and organized under the laws of Singapore. The Aboitiz Group listed firm Aboitiz Equity Ventures Inc. (AEV) owns the remaining 15% of the Company.

In July 2020, the mobile wallet GCash announced its partnership with the Company to launch an online marketplace to sell life insurance products through its e-wallet platform. The first product "Cash for Dengue Costs" was launched to the public in September 2020.

On September 11, 2020, the Parent Company announced it entered a transaction to combine its business with Aviva Singapore Ltd. On November 30, 2020, it was disclosed to the Monetary Authority of Singapore (MAS) that a consortium led by Singlife had completed the transaction and that Aviva Singlife Holdings Pte. Ltd. ('Singlife Holding Company') now held 100% of both the Parent Company and Aviva Ltd. entities. Singlife and Aviva Singapore continue to operate independently in Singapore until the scheme of transfer of the Singlife business to Aviva Singapore is approved by the MAS and the Singapore courts and completed. Thereafter, the combined business will be named Aviva Singlife Pte/ Ltd. ('Aviva Singlife').

**The Singlife Holding Company is owned by Abbey Life Holdings Pte Ltd (TPG) with 36%, Aviva Group Holdings Ltd with 26%, Sumitomo Life Insurance Company with 21%, while the balance is held by Aflac Ventures LLC, Aberdeen Asset Management PLC, IPGL Limited and various minorities.*

The registered office address of the Company is Unit M, N, O, and P 12/F Four Neo Bldg., 4th Ave. cor. 30th St., Bonifacio Global City, Fort Bonifacio, Taguig City. The Company has forty-eight (48) employees as of December 31, 2020.

The Company's financial statements were approved and authorized for issue by the Board of Directors on February 26, 2021.

2. Statement of compliance and basis of preparation

The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), the Company's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The accounting policies adopted the following new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- *Amendments to PFRS 3, Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- *Amendments to PFRS 16, COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021;
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Company has no lease transaction with lease modifications as of reporting period.

Use of Estimates, Assumptions and Judgments
The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period, as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical accounting estimates and judgments, refer to Note 4.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are initially recorded in the functional currency of the Company, at the foreign exchange rates prevailing at the respective date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency rate of exchange ruling at the reporting date and are not subsequently restated. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains or losses arising from these transactions and translations are credited or charged to profit or loss.

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

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investments contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the Company, fund or other entity that issues the contract.

Based on the Company guidelines, all products in its portfolio meet the definition of insurance contracts. There is no investment contracts as of reporting date.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

<u>Financial Instruments</u>
Date of recognition
The Company recognizes a financial asset or a financial liability in the company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition
Financial instruments are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in

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

Subsequent measurement
The subsequent measurement of financial instruments depends on their classification as follows:

i) Financial instruments at FVPL
This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVPL on initial recognition. Financial assets or financial liabilities are classified as held-for-trading if they are entered into for the purpose of short-term profit taking. Financial assets or financial liabilities classified in this category are designated by management as at FVPL on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The investments in equity, government securities, and other debt securities of the investment funds managed by the Company and ATRAM Trust Corporation are designated as financial assets at FVPL in accordance with the funds' investment strategy. Financial assets at FVPL are remeasured in the statement of financial position at fair value, with changes in the fair value recorded in profit or loss. Interest is accrued and presented in 'Investment income', using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

As of December 31, 2020 and 2019, the Company has no financial liabilities classified as FVPL.

ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are measured at amortized cost, using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in 'Investment income' in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

iii) Other financial liabilities
Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. This includes investment contracts which mainly transfer financial risk and has no or insignificant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Interest expense are charged to profit or loss as incurred. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy relates to the company statement of financial position captions 'Trade and other liabilities' that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (EIR). The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the statement of comprehensive income as 'Provision for credit and impairment losses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liabilities

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

<u>Property and Equipment</u>
Property and equipment are carried at cost net of accumulated depreciation and amortization and any impairment loss. The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged against income in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal, at which time the cost of the asset and the related accumulated depreciation or amortization are removed from the accounts. Any gains or losses on disposals are determined by comparing the proceeds with the asset’s carrying amount and are recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets. Depreciation begins when the asset becomes available for use, i.e., when it is in location and condition necessary for it to be capable in the manner intended by management. Depreciation ceases at the date when it is classified as held for sale ,or the date the asset is derecognized, whichever is earlier.

The EUL of property and equipment is reviewed annually, based on the assets’ expected utilization and physical wear and tear, to ensure that the periods and method of depreciation are consistent with the expected patterns of economic benefits from items of property and equipment.

The EUL of property and equipment are as follows:

Office equipment	3 years

<u>Other Assets</u>

Prepayments

Prepayments, including prepaid license fees, represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract

Deposits

Deposits represent deposits made to the lessors as a guarantee for the Company's full and faithful performance of each term, provision, covenant and condition of the contracts except that the said deposit shall not constitute or substitute payment of any rent. Security deposits are to be refunded at the expiration of the lease term.

Input value-added tax (VAT)

Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of services or recover as refund or tax credit against future income tax liability of the Company upon approval of the BIR. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. If the input VAT is finally determined to be unrecoverable, the amount is written off in profit or loss.

<u>Impairment of Non-financial Assets</u>

At each reporting date, the Company assesses whether there is any indication that non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating the value in use amount requires management to make an estimate of the expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the best estimates prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission (IC).

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities.

Life insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders except for single premium business where the revenue is recognized when the policy becomes effective. Benefits are recorded as an expense when they are incurred and are accrued as a liability.

An increase in liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate discount rates as published by IC. The expected future cash flows is determined using the best estimate assumptions with margins for adverse deviation (MfAD) determined as prescribed by IC. For policies with contract horizons of a year or less than a year, reserves are computed by calculating the unearned portion of the written premiums for the year.

Changes in legal policy reserves due to increase (decrease) in discount rate would be recorded under other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued and updated at each valuation date, as needed. MfAD is also included in the assumptions.

Claims and benefit payable

Claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Company's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later periods, when such revisions arise. Claims and benefit payable forms part of the insurance contract liability section of the statement of financial position.

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis, except for short-term leases and leases of low-value assets. The interest expense is recognized in the profit or loss over the lease period. The right-of use (ROU) asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liability
The lease liability includes the net present value of the following lease payments: fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Company:

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

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ROU assets
ROU assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Extension and termination options
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). 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 revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases and leases of low-value assets
Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Company applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below P250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Employee Benefits</u>

Short-term employee benefits

Wages, salaries, paid annual vacation and sick leave credits and other short-term employee benefits are accrued during the period in which the related services are rendered by employees of the Company. Short-term employee benefit obligations are measured on an undiscounted basis.

Pension liability

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following: service cost, net interest on the net defined benefit liability or asset; and remeasurements of net defined benefit liability or asset.

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

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

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

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

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

Accruals and Other Payables
Accrued and other payables are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest method.

Equity
Capital stock
Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Retained earnings (deficit)
Retained earnings (deficit) represent accumulated earnings (loss), net of dividends declared, if any, of the Company.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Regardless of when payment is being made, revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The following specific recognition criteria must also be met before revenue is recognized:

Premium income
Premium income from life insurance contracts is recognized as revenue when payable by the policyholder. For new policies, revenue is first recognized on the effective date of the policy, provided that the single-pay premium or the first modal premium has been paid. Succeeding premiums are recorded as revenues on the date when the payments are due from policyholders.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS financial assets, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

For interest-bearing financial assets at FVPL, loans and receivables, cash and cash equivalents and short-term investments, interest income is recognized as it accrues.

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

Net fair value gains or losses
Financial assets at fair value through profit or loss are remeasured at each calendar month and the changes in the fair value is taken to profit or loss

Benefits, Claims and Expenses Recognition
Benefits and claims

Benefits and claims consist of claims and insurance benefits incurred during the period which include changes in the valuation of insurance contract liabilities. Claims are recorded on the basis of notifications received.

Commissions and other underwriting expenses
Commissions and other underwriting expense are recognized when the insurance contracts are entered into and the related premiums are recognized.

General and administrative expenses
General and administrative expenses are recognized in the statement of comprehensive income as incurred.

Taxes
Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in equity or other comprehensive income.

Current tax
Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.

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

Current tax and deferred tax relating to items recognized directly in other comprehensive income are likewise recognized in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to profit or loss for the period.

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

Provision for income tax during the period pertains to final tax on interest income.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

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

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities
- Amendments to PAS 41, Agriculture, Taxation in fair value measurements

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- PFRS 17, Insurance Contracts

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

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The Company has not started a project to implement PFRS 17.

Deferred effectivity

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

---

4. Significant Accounting Judgments and Use of Estimates

The preparation of the accompanying financial statements in conformity with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimate are reflected in the company financial statements as they become reasonably determinable.

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.

<u>Judgments</u>

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

Product classification
The Company has determined that the traditional insurance policies have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

Leases – Company as a lessee
The Company has entered into short-term contracts of lease for its office spaces. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the respective lessors. The Company accounts the contract as operating leases (see Note 17).

Uncertainties over income tax payments
The Company applies significant judgment whether it is probable that a particular uncertain income tax treatment will be acceptable to the taxation authority. The Company considers the following: past experience related to similar tax treatments, legal advice or case law related to other entities, and practice guidelines published by the taxation authority that are applicable to the case.

The Company reassesses the judgment if the facts and circumstances on which the judgement was based change or as a result of new information that affects the judgment.

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

Valuation of legal policy reserves
In determining the legal policy reserves, estimates are made as to the expected number of deaths, illness or injury for each of the years in which the Company is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Code. The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. In accordance with the provisions of the Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. Discount rate assumptions are based on current observed rates in the market and consistent with the discount rates published by IC. The key assumptions used in the valuation of legal policy reserves are detailed in Note 10.

For policies with contract horizons of a year or less than a year, reserves are computed by calculating the unearned portion of the written premiums for the year.

The carrying values of legal policy reserves, shown as part of insurance contract liabilities, amounted to ₱5.26 million as of December 31, 2020. There is no legal policy reserves as of December 31, 2019 as insurance operations only started in September 2020 (see Note 10).

Estimated useful lives of property and equipment
The useful life of each of the Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded costs of providing services and decrease non-current assets.

The carrying value of property and equipment amounted to ₱3.07 million and ₱1.54 million as of December 31, 2020 and December 31, 2019, respectively (see Note 8).

Fair value of financial instruments
Fair value determinations for financial instruments are based generally on listed or quoted market prices. Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were recorded at fair values by using the discounted cash flow method.

As of December 31, 2020 and December 31, 2019, the carrying value of the financial assets at FVPL amounted to ₱1.07 billion and ₱0.26 billion, respectively (see Note 6).

Impairment of financial instruments
The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Loans and receivables amounted to ₱0.13 million and ₱0.3 million as of December 31, 2020 and 2019, respectively. No provision for impairment losses on its loans and receivables were recognized in 2020 and 2019.

Impairment of nonfinancial assets
The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The following are the factors that the Company considers important which could trigger an impairment review:
- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

The Company believes that there are no impairment indicators on its property and equipment as at the reporting dates. The carrying value of property and equipment amounted to ₱3.07 million and ₱1.54 million as of December 31, 2020 and December 31, 2019, respectively (see Note 8).

Recognition of deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

The Company recognized deferred tax assets amounting to ₱0.85 million as of December 31, 2020 as the Company believes sufficient taxable income will allow these deferred tax assets to be utilized (see Note 18).

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 16.

The net pension liability as of December 31, 2020 amounted to ₱2.83 million (see Note 16).

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

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash in banks	**₱73,648,032**	₱221,076,395
Cash equivalents	**13,470,864**	759,820,644
	₱87,118,896	₱980,897,039

Cash in banks earns interest at prevailing bank deposit rates. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the Company and earned interest at the prevailing short-term deposit rates. Cash equivalents also include cash held under the GCash wallet as of reporting date.

Cash in bank and cash equivalents amounting to ₱5.75 thousand and ₱9.63 million, respectively, are managed by ATRAM Trust Corporation.

Interest income on cash and cash equivalents recognized in the statements of comprehensive income amounted to ₱1.28 million and ₱0.48 million in 2020 and 2019, respectively (see Note 13). Related unrealized foreign exchange gain as a result of currency translation amounted to ₱1.24 million and ₱ 1.92 million for 2020 and 2019, respectively.

6. Financial Assets

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

	2020	**2019**
Financial assets at FVPL	**₱1,071,422,192**	₱268,707,616
Loans and receivables	**128,948**	25,314
	₱1,071,551,146	₱268,732,930

As of December 31, 2020 and 2019, the financial assets at FVPL are designated by management as at FVPL on initial recognition.

Financial assets at FVPL amounting to ₱270.38 million as of December 31, 2020 held by the National Registry of Scripless Securities (nRoSS) are earmarked as non-tradable in accordance with the provision of the Insurance Code as security for the benefit of policyholders and creditors of the Company.

The investments of the Company are managed by ATRAM Trust Corporation excluding the financial assets at FVPL held by nRoSS. The assets included in each of the categories above are detailed below:

Financial assets at FVPL

	2020	2019
Government debt securities	**₱928,699,006**	₱268,707,616
Unit investment trust funds / mutual funds	**117,342,897**	-
Equity securities	**20,502,112**	-
Corporate debt securities	**4,878,183**	-
	₱1,071,422,198	₱268,707,616

Dividend income from equity securities classified by the Company as financial assets at FVPL amounted to ₱0.15 million in 2020 (see Note 13). As of December 31, 2020, dividend receivable amounted to ₱9.17 thousand (see Note 7).

Investment in unit investment trust funds (UITFs) / mutual funds (MFs) classified as financial assets at FVPL are ready made investments that allow the pooling of funds from different investors with similar investment objectives. These funds are managed by professional fund managers and are invested in various financial instruments such as money market securities, bonds and equities, which are normally available to bigger investors only. As of December 31, 2020, the Company owns MF of 1.7 million outstanding number of units with cost and net asset value of ₱104.99 million and ₱106.16 million, respectively, and UITF of 101.57 thousand outstanding number of units with cost and net asset value of ₱11.18 million.

Investments in corporate and government debt securities classified as financial assets at FVPL bear interest ranging from 2.38% to 5.50% in 2020. As of December 31, 2020, interest receivable amounted to ₱6.46 million (see Note 7). Interest income classified by the Company as FVPL amounted to ₱29.43 million in 2020 (see Note 13).

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

	2020	2019
At January 1	**₱268,707,616**	₱-
Additions	**6,175,905,433**	268,707,616
Disposal and maturities	**(5,388,080,714)**	-
Fair value gains (Notes 13)	**14,889,862**	-
At December 31	**₱1,071,422,198**	₱268,707,616

Loans and Receivables

	2020	2019
Due from employees	**₱128,948**	₱25,314

Due from employees are non-interest bearing and collectible within the next twelve (12) months from the reporting period.

7. Accrued Income

This account consists of:

	2020	2019
Interest receivable on:		
Financial assets at FVPL	**₱6,460,936**	₱1,475,519
Cash and cash equivalents	**728**	-
Dividends receivable	**9,169**	-
	₱6,470,833	₱1,475,519

Interest and dividends receivable are collectible within the next twelve (12) months from the reporting period.

8. Office equipment, net

The movements of the account are as follows:

	Office equipment
Cost	
At March 15, 2019	₱–
Additions	1,669,375
At December 31, 2019	1,669,375
Additions	**2,553,369**
At December 31, 2020	**4,222,744**
Accumulated depreciation	
At March 15, 2019	–
Depreciation (Notes 14)	130,441
At December 31, 2019	130,44
Depreciation (Notes 14)	**1,017,516**
At December 31, 2020	**1,147,957**
Net book values	
At December 31, 2019	1,538,934
At December 31, 2020	**₱3,074,787**

There are no conditions that would indicate impairment of property and equipment at December 31, 2020 and 2019, respectively.

9. Other Assets

This account consists of:

	2020	2019
Input VAT	**₱8,040,757**	₱129,540
Prepayments and other current assets	**3,945,550**	469,733
Refundable deposit	**2,333,977**	795,370
	14,320,284	1,394,643
Less: Allowance for impairment loss	**8,040,757**	-
	₱6,279,527	₱1,394,643

Allowance for impairment loss provided pertains to input VAT of the Company that have not been utilized as of reporting date (see Note 14).

Refundable deposit includes security and reservation deposits for the Company's office space lease (see Note 17).

10. Insurance Contract Liabilities

This account consists of:

	2020	2019
Legal policy reserves	**₱5,260,818**	₱-
Claims and benefit payable	**432,677**	-
	₱5,693,495	₱-

The first product *"Cash for Dengue Costs"* was launched to the public in September 2020, followed by *"Cash for Income Loss"* in December 2020. Both products are categorized under 'Accident and Health Policies'. There is no reinsurance coverage for both products.

The movements in legal policy reserves during the year follow:

	2020	2019
At January 1	**₱-**	₱-
New business	**5,260,818**	-
At December 31	**₱5,260,818**	₱-

The movements during the year in claims and benefits payable follow:

	2020	2019
At January 1	**₱-**	₱-
Arising during the year (Note 13)	**557,177**	-
Paid during the year	**(124,500)**	-
At December 31	**₱432,677**	₱-

Key assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions used are based on past experience, current internal data and conditions and external market indices and benchmarking, which reflect current observable market

prices and other published information. Such assumptions are determined as appropriate and prudent estimates at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission.

For policies with contract horizons of a year or less than a year, reserves are computed by calculating the unearned portion of the written premiums for the year.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- *Mortality and morbidity*
  The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered.

- *Discount rates*
  Discount rates relate to the time value of money. Discount rate assumptions are based on current observed rates in the market and consistent with the discount rates published by IC. The discount rates are reviewed and revised at each reporting date. An increase (decrease) in discount rate would result in remeasurement gain (loss) on life insurance reserves.

- *Non-guaranteed benefits*
  The level of non-guaranteed benefits under traditional life insurance policies to be valued, including policy dividends, are determined with due regard to the Company's duty to treat its policyholders fairly and meet policyholders' reasonable expectations.

- *Expenses*
  The expense assumptions are based on the Company's pricing assumptions and will be reviewed in the future based on company experience.

- *Lapses and/or persistency rates*
  Lapse and/or persistency rates are taken as the best estimate lapse and/or persistency assumption.

The estimation of liabilities include margin for adverse deviations (MfADs) of +/-10% of the best assumptions as prescribed by IC Circular Letter No. 2016-66.

Pursuant to Sections 216 and 423 of the Amended Insurance Code (RA 10607), a new set of valuation standards for life insurance policy reserves has been promulgated by the Commission per Circular No. 20 16-66 effective 2018. Under the Circular, the reserves for traditional life insurance policies must be valued, where appropriate, using gross premium valuation. This is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate.

Sensitivities
The analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant on liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

The sensitivity in the key assumptions being monitored by the Company is presented as follows:

	Impact on income before income tax and equity Increase/(decrease)		
	Change in assumption	2020	2019
Mortality	+10%	203,646	-
	-10%	(203,646)	-
Expense	+10%	80,142	-
	-10%	(80,142)	-

11. Trade and Other Liabilities

This account consists of:

	2020	2019
Accrued expenses and provisions	**₱10,996,233**	₱6,166,062
Taxes payable	**3,706,686**	825,045
Due to government agencies	**805,504**	739,786
Advances from related party	**-**	3,807,151
Other payables	**1,515,092**	-
	₱17,023,515	₱11,538,044

Accrued expenses represent Company's professional and other miscellaneous expenses. Provisions represent incentive to employees. These are non-interest bearing and payable within approved terms within one year.

Taxes payable include taxes withheld from staffs and agents, stamp duties and premium taxes. Due to government agencies are contributions to SSS, PHIC, and HDMF. These are remitted to government agencies one month after reporting date.

Others payable includes platform fee payable to GCash for the use of its application.

12. Share capital

Capital stock
The details of the Company's capital stock as follows:

	Number of Shares	**Amount**
Authorized at P100 par value per share	13,000,000	₱1,300,000,000
Issued and outstanding	13,000,000	₱1,300,000,000

13. Revenue and Benefit and Claims

The net insurance premium revenue consists of:

	2020	2019
Premium revenue arising from contracts issued		
Life insurance contracts	**₱8,477,185**	₱-

The first product "*Cash for Dengue Costs*" was launched to the public in September 2020, followed by "*Cash for Income Loss*" in December 2020.

The investment income consists of:

	2020	2019
Fair value gains from financial assets at FVPL (Note 6)	**₱71,280,274**	₱-
Interest on:		
Financial assets at FVPL (Note 6)	**29,434,842**	-
Cash and cash equivalents (Note 5)	**1,279,873**	477,906
Dividend income (Note 6)	**145,372**	-
	₱102,140,461	₱477,906

Net claims and benefits incurred during the year consist of:

	2020	2019
Hospitalization benefit	**₱557,177**	₱-

The hospitalization benefit includes IBNR of ₱0.43 million in 2020.

14. General and Administrative Expenses

This account consists of:

	2020	2019
Employee benefits (Note 16)	**₱98,569,617**	₱14,412,569
Service fees	**53,526,911**	-
Rent expense (Note 17)	**9,100,382**	1,099,593
Provision for impairment loss on input VAT (Note 7)	**8,040,757**	-
Advertising and promotion	**7,753,563**	-
Taxes and licenses	**3,149,536**	18,849,401
Investment fees	**2,788,673**	-
Legal and professional fees	**2,389,743**	18,942,058
Depreciation (Note 8)	**1,017,516**	130,441
Miscellaneous	**2,971,108**	1,620,102
	₱189,307,806	₱55,054,164

Services fees represent the services rendered by IT professionals such as system creation and maintenance.

Investment fees pertains to amount paid and payable to ATRAM Trust Corporation in relation to investment management.

Miscellaneous include expenses incurred for recruitment, utilities, transportation, and communication allowances.

15. Commission and other underwriting expenses

This account consists of:

	2020	2019
Service fe~~es~~	**₱1,789,771**	₱-
Sales-related expense	**1,790,022**	-
Insurance taxes and licenses	**305,234**	-
	₱3,885,027	₱-

Service fees are given to GCash upon sales of policies. This is calculated based on a percentage of premium indicated in the agreement.

16. Employee Benefits

This account consists of:

	2020	2019
Salaries and wages	**₱78,658,970**	₱14,412,569
Short-term employee benefits	**17,817,264**	-
Retirement expense	**1,147,260**	-
Others	**946,123**	-
	₱98,569,617	₱14,412,569

Retirement Plan
The Company has set-up a non-contributory defined benefit pension plan starting 2020, covering substantially all of its employees, which requires contributions to be made by the Company to a separately administered fund. As of December 31, 2020, the Company has not made any contribution to the retirement fund.

Changes in net pension liability are as follows:

	2020	2019
Present value of defined benefit obligation		
At January 1	**₱-**	₱-
Current service cost	**1,147,260**	-
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in demographic assumptions	**1,687,183**	-
At December 31	**₱2,834,443**	₱-

The principal assumptions used in determining pension liability for the Company's plan follow:

	Assumptions
Discount rate	**3.83%**
Rate of salary increase	**6.00%**

Mortality rate	
Average years of service	**0.78 years**

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

	Increase (decrease) in rates	Impact on defined benefit obligation
Discount rate	**1%**	**(₱468,457)**
	(1%)	**574,982**
Rate of salary increase	**1%**	**556,372**
	(1%)	**(₱463,673)**

Shown below is the maturity analysis of the Company's defined benefit obligation based on undiscounted benefit payments as of December 31, 2020:

	Expected benefit payment
Less than 1 year	**₱-**
1 year to 5 years	**-**
5 years to 10 years	**1,802,736**
More than 10 years	**₱125,695,664**

17. Lease Agreement

The Company entered into non-cancellable operating lease agreement with APEX Net, Inc. for the seat lease of a serviced office space located at 12th Floor, NET Quad Building, 4th Avenue corner 30th Street, Bonifacio Global City, Taguig for a period of one (1) year, renewable for another year upon mutual agreement by two parties. The lease was renewed for another 1 year starting August 1, 2020. The Company paid security deposit for this lease and the balance as at December 31, 2020 and 2019 amounted to ₱1.47 million and ₱0.80 million, respectively. This is presented under refundable deposits (Note 7).

Total rent expense charged to operations amounted to ₱9.10 million and ₱1.10 million for the period ended December 31, 2020 and 2019, respectively (Note 14).

18. Income Taxes

Provision for income tax consists of:

	2020	2019
Final tax	**₱3,616,818**	₱35,843
Deferred tax	**(344,178)**	-
	₱3,272,640	₱35,843

The reconciliation between tax expense and the product of accounting loss multiplied by 30% follows:

	2020	2019
Loss before income tax	**(₱88,253,285)**	(₱57,463,136)
Income tax computed at 30% statutory tax rate	**(26,475,986)**	(17,238,941)
Adjustments for:		
Unrecognized DTA	**32,915,103**	17,348,294
Non-deductible expense	**62,504**	34,019
Input VAT write off	**2,412,227**	-
Interest income subjected to final tax	**(5,597,597)**	-
Dividend Income	**(43,612)**	(107,529)
	₱3,272,640	₱35,843

Deferred tax assets are recognized only to the extent that realization of the related tax benefit is probable. Components of recognized deferred tax assets follow:

	2020	2019
Pension liability	**₱344,178**	₱-

The Company did not recognize deferred tax assets on the following deductible temporary differences and NOLCO since management believes that the tax benefit will not be realized through income tax deductions in the near future.

	2020	2019
NOLCO	**₱35,062,505**	₱16,578,058
Provision for bonus	**2,151,026**	195,000
Unrealized gain on bonds	**(705,831)**	-
Unrealized forex loss (gain)	**(3,592,597)**	575,236
	₱32,915,103	₱17,348,294

Details of the Company's NOLCO that can be claimed as deduction from future taxable profits are as follows:

Year Incurred	**Year of Expiry**	**NOLCO**
2019	**2022**	**₱55,260,193**
2020	**2025**	**116,852,617**
		₱172,112,810

19. Capital Management and Management of Insurance and Financial Risks

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory Framework

The mandate of regulators is to protect the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC and the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions [e.g., net worth requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management Framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Amended RBC (RBC2) Framework. Since starting commercial operations, the Company has developed policies and processes for managing capital.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to assess its position, at least on a quarterly basis, against set minimum capital requirements. The Company elevates any requirement for additional capital infusion to shareholders to address any foreseen capital deficiency. It is anticipated that the Parent Company will support any other financing requirements and future developments of the Company.

Based on the Company's calculations, the Company fully complied with capital requirements during the reported financial periods and no changes made to its capital management objectives, policies and processes from the previous year.

Paid-up capital requirements
In August 15, 2013, the President of the Philippines approved Republic Act (R.A.) No. 10607 to be known as the "New Insurance Code" which prescribes that new domestic insurance companies shall possess at least a paid-up capital amounting to ₱1.00 billion for it to engage in business in the Philippines. The minimum paid-up capital shall remain unimpaired for the continuance of the license of the insurance companies. Moreover, Insurance Memorandum Circular (IMC) No. 22-2008 provided that for the purpose of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth or equity is at least equal to the actual paid-up capital.

As at December 31, 2020 and 2019, the Company has complied with the unimpaired capital requirement.

Minimum Statutory Net Worth Requirements
On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A clarifying the minimum capitalization and net worth requirements of all insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least P250.00 million by December 31, 2013 (Section 194). The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Net Worth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
₱1,300,000,000	December 31, 2022

Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commissioner. As at December 31, 2020 and 2019, the Company is fully compliant with the minimum statutory net worth requirements.

Amended RBC (RBC2) Framework
In December 2016, IC issued CL No. 2016-68 which supersedes all previously issued IC CL on RBC and shall be implemented effective January 1, 2017. The RBC2 Framework prescribes the minimum RBC Ratio and RBC Requirement that must be satisfied by all insurance companies. Under the RBC2 Framework, the RBC Ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement. All insurance companies are required to maintain a minimum RBC Ratio of 100% and not fail the trend test. The RBC Requirement is defined under RBC2 Framework as the capital required to be held appropriately to the risks an insurance company is exposed to.

IC CL No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and RBC2 Framework, further states that the level of sufficiency for the RBC2 Framework shall be at 95.00% level in 2017, 97.50% in 2018 and 99.50% in 2019.

As at December 31, 2020, the Company is compliant with the minimum RBC Ratio and has passed the Trend Test based on the requirements of the IC CL No. 2016-69. The below table shows how the RBC ratio as at the reporting date was determined by the Company:

	2020
Total available capital	**1,139,589,422**
RBC requirement	**48,025,892**
RBC ratio	**2,373%**

The final RBC ratio can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined under the Code.

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

The Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for a pre-determined amount. The risks associated with the life and accident and health products are underwriting risk and investment risk.

Underwriting risk
Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising from the policyholder's death experience being different than expected.
- Morbidity risk - risk of loss arising from the policyholder's health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.

- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The Company's underwriting strategy is designed to ensure that risks are evaluated and rated appropriately. This is largely achieved through the use of health questionnaires and medical screening in order to ensure that pricing takes into account current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

Investment Risk
The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below than that required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality. The Company utilizes dynamic asset allocation strategies consistent with its risk appetite framework to manage investment risk and to ensure sustainable investment returns.

<u>Fair Value of Financial Instruments</u>
The fair value of financial assets at FVPL that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date, or the last trading day as applicable.

Due to the short-term nature of cash and cash equivalents, loans and receivables, accrued income, and trade and other liabilities, their fair values approximate their carrying amounts as at the reporting date.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:
- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2020 and 2019, the Company classifies its financial assets at fair value as follows:

			2020		
	Carrying Value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed:					
Government debt securities	**₱928,699,006**	**₱-**	**₱928,699,006**	**₱-**	**₱928,699,006**
Unit investment trust funds	**117,342,897**	**-**	**117,342,897**	**-**	**117,342,897**

	2020				
	Carrying Value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Equity securities	**20,502,112**	**20,502,112**		**-**	**20,502,112**
Corporate debt securities	**4,878,183**	**-**	**4,878,183**	**-**	**4,878,183**
Total	**₱1,071,422,198**	**₱20,502,112**	**₱1,050,920,086**	**₱-**	**₱1,071,422,198**

<u>Financial Risk</u>
The Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages the level of credit risk it accepts through a comprehensive credit risk policy which focuses on minimizing credit risk exposures. The credit risk policies are set as follows:

a. Concentration limit – the Company sets maximum exposure to an individual issuer and to a particular sector.
b. Counterparty ratings – the Company reviews and recommends financial institutions that will complement over-all investment objectives and service requirements.

Reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy is done on a regular basis.

The Company's holding of cash exposes the Company to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established. The treasury policy sets credit limit for each counterparty. In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer or group of issuers. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk from its financial assets (cash and cash equivalents, financial assets at FVPL, and loans and receivable) is equal to their carrying amount. In addition, there is no significant concentration of credit risk identified.

The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2020 and 2019.

As of December 31, 2020, the credit quality per class of the Company's financial assets is as follows:

2020	Neither past due nor impaired Investment grade	 Non-investment grade	Past due or impaired	Total
Financial assets				
Cash and cash equivalents	**₱87,118,896**	**₱-**	**₱-**	**₱87,118,896**
Financial asset at FVPL	**1,071,422,198**	**-**	**-**	**1,071,422,198**
Accrued income	**6,470,833**	**-**	**-**	**6,470,833**
Loans and receivables	**-**	**128,948**	**-**	**128,948**
Refundable deposit	**-**	**2,333,977**	**-**	**2,333,977**
	₱1,165,011,927	**₱2,462,925**	**₱-**	**₱1,167,474,852**

2019	Neither past due nor impaired Investment grade	 Non-investment grade	Past due or impaired	Total
Financial assets				
Cash and cash equivalents	₱980,897,039	₱-	₱-	₱980,897,039
Financial asset at FVPL	268,707,616			268,707,616
Accrued income	1,475,519	-	-	1,475,519
Loans and receivables	-	25,314		25,314
Refundable deposit	-	795,370	-	795,370
	₱1,251,080,174	₱820,684	₱-	₱1,251,900,858

The Company uses a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

Investment Grade - rating given to counterparties who possess strong to very strong capacity to meet their obligations; and
Non-investment Grade - rating given to counterparties who possess above average capacity to meet their obligations.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2020 and 2019.

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

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and operating expenses. The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments and maintains and holds a sufficient level of cash reserves.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments as of December 31, 2020 and 2019, except for the legal policy reserves of the life insurance contracts which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability accounts:

2020	**Up to a year***	**1-3 years**	**Over 3 years**	**No term**	**Total**
Cash and cash equivalents	**₱87,118,896**	**₱-**	**₱-**	**₱-**	**₱87,118,896**
Financial asset at FVPL					
Government debt securities	**82,200,000**	**373,940,000**	**436,430,000**	**-**	**892,570,000**
Unit investment trust funds	-	-	-	**117,342,897**	**117,342,897**
Equity securities	-	-	-	**20,502,112**	**20,502,112**
Corporate debt securities	-	**4,860,000**	-	-	**4,860,000**
Accrued income	**6,986,809**	-	-	-	**6,986,809**
Loans and receivables	**128,948**	-	-	-	**128,948**
Refundable deposit	**2,333,977**	-	-	-	**2,333,977**
Total financial assets	**₱178,768,630**	**₱378,800,000**	**₱436,430,000**	**₱137,845,009**	**₱1,131,843,639**
Insurance contract liabilities	**₱5,693,495**	**₱-**	**₱-**	**₱-**	**₱5,693,495**
Trade and other liabilities**	**12,511,326**	-	-	-	**12,511,326**
Advances from related parties	-	-	-	-	-
Total financial liabilities	**18,204,821**	-	-	-	**18,204,821**
Liquidity position	**₱160,563,809**	**₱378,800,000**	**₱436,430,000**	**₱137,845,009**	**₱1,113,638,818**

2019	Up to a year*	1-3 years	Over 3 years	No Term	Total
Cash and cash equivalents	₱980,897,039	₱–	₱–	₱–	₱980,897,039
Financial asset at FVPL	–	160,000,000	100,000,000	–	260,000,000
Accrued income	1,475,519	–	–	–	1,475,519
Loans and receivables	25,314	–	–	–	25,314
Refundable deposit	795,370	–	–	–	795,370
Total Financial assets	₱983,193,242	₱160,000,000	₱100,000,000	₱–	₱1,243,193,242
Trade and other liabilities**	₱6,166,062	₱–	₱–	₱–	₱6,166,062
Advances from related parties	3,807,151	–	–	–	3,807,151
Total financial liabilities	9,973,213	–	–	–	9,973,213
Liquidity position	₱973,220,029	₱160,000,000	₱100,000,000	₱–	₱1,233,220,029

**Up to a year are all commitments which are either due within the time frame or are payable on demand.*
***Excludes statutory payables such as government agencies, local and national taxes and withholding taxes.*

Market Risk
Market risk is the risk of loss of future earnings to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

- *Foreign Currency Exchange Risk*

Foreign currency exchange risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company's foreign exchange risk results primarily from movements of the United States Dollar (USD) against the Philippine Peso (P).

These exposures arise mainly from cash and cash equivalents and advances from related party. The Company manages its foreign exchange risk through monitoring of transactions in foreign currencies and maintaining sufficient cash in foreign currencies to cover expenses and maturing obligations.

The Company's foreign currency-denominated monetary assets and liability are as follows:

	2020		2019	
	US Dollar	**Peso equivalent**	US Dollar	Peso equivalent
Cash in banks	**$282,784**	**₱13,580,129**	$2,623,566	₱132,844,264
Cash equivalents	**200,545**	**9,630,798**	14,999,995	759,820,644
Advances from related party	**-**	**-**	(65,752)	(3,807,151)
Net foreign currency-denominated asset	**$483,329**	**₱ 23,210,928**	$17,557,809	₱888,857,757

The balances have been restated based on the reference rate at ₱48.023 per USD and ₱50.635 per USD as at December 31, 2020 and 2019, respectively.

The Company recognized net foreign exchange gain of ₱0.14 million and ₱2.89 million in 2020 and 2019, respectively, arising from the revaluation of foreign currency-denominated monetary asset.

The net foreign exchange gain in 2020 and 2019 comprises of unrealized foreign exchange gain amounting to ₱1.24 million and ₱1.92 million and realized foreign exchange gain of ₱1.38 million and ₱0.97 million, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the USD to Php exchange rates, with all variables held constant, of the Company's income before tax on December 31, 2020 and 2019. There is no other impact on the Company's equity other than those already affecting profit or loss.

Currency	Increase (decrease) in exchange rate		Effect on Income before tax	
	2020	2019	**2020**	2019
USD	**5.28%**	5.39%	**₱1,225,341**	₱47,886,591
	(5.28%)	(5.39%)	**(1,225,341)**	(47,886,591)

In 2020 and 2019, the Company used the average of changes in year-end closing rate for the past three years in determining the reasonably possible change in foreign exchange rates.

- *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments classified as financial assets at FVPL are exposed to such risk.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile:

2020	**Range of interest rate**	**Up to a year***	**1-3 years**	**Over 3 years**	**Total**
Cash and cash equivalents	**0.20%**	**₱9,630,798**	**₱-**	**₱-**	**₱9,630,798**
Financial asset at FVPL					
Government debt securities	**2.38%-5.50%**	**84,424,760**	**390,453,498**	**460,486,873**	**928,699,006**
Corporate debt securities	**3.05%-3.68%**	**-**	**4,878,183**	**-**	**4,878,183**
Total financial assets		**₱ 94,055,558**	**₱ 395,331,681**	**₱460,486,873**	**₱ 949,874,111**

2019	Range of interest rate	Up to a year*	1-3 years	Over 3 years	Total
Financial asset at FVPL	4.75%-5.50%	₱-	₱163,500,883	₱105,206,732	₱268,707,616

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax due to changes in fair value of fixed rate financial assets at FVPL.

	Increase (decrease) in interest rate		Effect on income before tax	
	2020	2019	**2020**	2019
Financial asset at FVPL	**10.00%**	10.00%	**₱94,987,411**	26,870,762
	(10.00%)	(10.00%)	**(94,987,411)**	(26,870,762)

1n 2020 and 2019, the Company determined the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past three years.

- *Equity price risk*

The Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVPL. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant, showing the impact on profit before tax due to changes in fair value of equity securities classified as financial assets at FVPL.

	Increase (decrease) in interest rate		Effect on income before tax	
	2020	2019	**2020**	2019
Financial asset at FVPL	**13.31%**	12.65%	**₱18,346,909**	**₱-**
	(13.31%)	(12.65%)	**(18,346,909)**	**-**

In 2020 and 2019, the change in variable was derived from the percentage changes of the composite PSE index for the past three years.

20. Significant Related Party Transactions

In the normal course of business, the Company has transactions with the following related parties:

Related Party	**Relationship**
Singapore Life Pte Ltd	Immediate parent company

The following were the significant related party transactions based on terms as agreed between the parties during the financial year:

Category	Amount of Transactions		Outstanding Balance Asset (Liability)		Terms and conditions
	2020	2019	**2020**	2019	
With immediate parent company					
Advances to related party	**₱-**	₱40,273,086	**₱-**	(₱3,807,151)	Unsecured, non-interest-bearing, repayment terms based on loan agreement

In 2020 and 2019, the Company received advances from its immediate parent company for its initial working capital and support general business needs of the company.

Key Management Personnel
The compensation of the directors and other members of key management personnel of the Company amounted to ₱42.23 million and ₱11.15 million in 2020 and 2019, respectively.

There are no other significant transactions with related parties.

21. Contingencies

The Company has not involved in any lawsuit arising from the normal course of carrying out its insurance business.

22. Events after the reporting period

On February 26, 2021, the Board of Directors approved through a Regular Meeting an additional contingency surplus infusion amounting to ₱300.00 million. As of the date of this report, the capital request is in progress with the company's shareholders and subject to regulatory approval.

23. Supplementary Information Required by BIR

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

Below is the additional information required by RR 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Output and Input VAT
The Company had no transactions subject to VAT for the year ended December 31, 2020.

Movements in input VAT for the year ended December 31, 2020:

Beginning balance	(129,457)
Add: Current year's domestic payments for:	(48,127)
Services lodged under other accounts	(3,429,304)
Ending balance	(3,606,978)

Reconciliation of output and input VAT per books versus per VAT return is as follows:

Output VAT declared for the year	-
Less: Input VAT claimed during the year	3,477,438
VAT payable for the year 2020	(3,477,438)
Less: VAT payments during the year	-
Unclaimed input VAT	(3,477,438)

Of the total input VAT during the year, ₱4,291,477 remained unreported in the VAT return as of December 31, 2020. The total amount is reported under input VAT in prepayments and other current assets account in the statement of financial position.

Documentary stamp taxes

Documentary stamp taxes amounting to ₱135,690 was paid during the year ended December 31, 2020.

Other taxes, local and national

This account consists of taxes and licenses paid for the year ended December 31, 2020 as follow:

	Amount
Business permit	₱1,409,286
Other licenses	1,265,050
Product filings to the Insurance Commission	474,700
Annual VAT registration	500
	₱3,149,536

Withholding taxes

The Company's withholding taxes for the year ended December 31, 2020 are as follows:

	Paid	**Accrued**	**Total**
Withholding tax on compensation	₱20,069,477	₱2,765,769	₱22,835,246
Expanded withholding tax	896,249	678,010	1,574,259
	₱20,965,726	₱3,443,779	₱24,409,505

Tax Assessments and Cases

At December 31, 2020, the Company has pending no tax assessment, tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.