Singlife

# Financial Statements

December 31, 2021 and 2020

Singlife

# Report of Independent Auditors

The Stockholders and the Board of Directors
**Singlife Philippines Inc.**
12F Four/Neo Bldg.
4th Avenue cor. 30th St., Bonifacio Global City
Fort Bonifacio, Taguig City

## Opinion

We have audited the financial statements of Singlife Philippines Inc. (the Company), which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

## Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause) BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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## Other Matter Relating to Comparative Information

The financial statements of the Company as at and for the year ended December 31, 2020, excluding the adjustments described in Note 20 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 26, 2021.

As part of our audit of the financial statements as at and for the year ended December 31, 2021, we also audited the adjustments described in Note 20 to the financial statements that were applied to reclassify comparative information. We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the adjustments described in Note 20. Accordingly, we do not express an opinion or any other form of assurance on comparative information. However, in our opinion, the adjustments described in Note 20 to the financial statements are appropriate and have been properly applied.

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

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

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

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

# Report of Independent Auditors

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Fort Bonifacio, Taguig City

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

# Report of Independent Auditors

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## Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

**TIRESO RANDY F. LAPIDEZ**
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year
covering the audit of 2021 financial statements
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854069
Issued January 3, 2022 at Makati City

March 25, 2022
Makati City, Metro Manila

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# Statement of Financial Position

| | December 31 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 4,21) | **P171,479,024** | P87,118,896 |
| Insurance receivables (Note 5,21) | **1,922,974** | – |
| Financial assets (Note 6,21) | | |
| Financial assets at fair value through profit or loss | **946,013,002** | 1,071,422,198 |
| Financial asset at fair value through other comprehensive income | **2,331,776** | – |
| Receivables | **6,699,366** | 6,599,781 |
| Office equipment - net (Note 7) | **3,444,923** | 3,074,787 |
| Computer software (Note 8) | **18,549,675** | – |
| Deferred tax assets (Note 18) | **1,113,345** | 850,333 |
| Other assets (Note 9) | **39,814,622** | 6,279,527 |
| | **P1,191,368,707** | P1,175,345,522 |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities** | | |
| Insurance contract liabilities (Note 10,21) | **P33,885,723** | P5,693,495 |
| Accrued expenses and other liabilities (Note 11,21) | **38,121,209** | 17,023,515 |
| Pension liabilities (Note 16) | **4,453,380** | 2,834,443 |
| | **P76,460,312** | P25,551,453 |
| **Equity** | | |
| Capital stock (Note 12) | **1,600,000,000** | 1,300,000,000 |
| Accumulated deficit | **(477,264,527)** | (149,024,903) |
| Revaluation loss on financial assets at fair value through other comprehensive income (Note 6) | **(7,747,836)** | – |
| Remeasurement losses on pension obligation (Note 16) | **(79,242)** | (1,181,028) |
| | **1,114,908,395** | 1,149,794,069 |
| | **P1,191,368,707** | P1,175,345,522 |

*See accompanying Notes to Financial Statements.*

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# Statement of Profit or Loss and Other Comprehensive Income

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| **REVENUE** | | |
| Gross premiums on insurance contracts issued (Note 13) | **P99,323,690** | P8,477,185 |
| Foreign exchange gains - net | **6,696,745** | 139,898 |
| Investment income (Note 13) | **5,020,043** | 102,140,461 |
| Other income | **58,577** | – |
| | **111,099,055** | 110,757,544 |
| **BENEFITS, CLAIMS AND OPERATING EXPENSES** | | |
| Increase in legal policy reserves (Note 10) | **19,081,469** | 5,260,818 |
| Gross benefits and claims (Note 13) | **22,960,229** | 557,177 |
| Net insurance benefits and claims | **42,041,698** | 5,817,995 |
| General and administrative expenses (Note 14) | **357,394,256** | 189,613,040 |
| Underwriting expenses (Note 15) | **34,386,723** | 3,579,793 |
| | **433,822,677** | 199,010,828 |
| **LOSS BEFORE INCOME TAX** | **(322,723,622)** | (88,253,284) |
| **PROVISION FOR INCOME TAX (Note 18)** | **5,516,002** | 3,272,640 |
| **NET LOSS** | **(328,239,624)** | (91,525,924) |
| **OTHER COMPREHENSIVE LOSS** | | |
| *Items that will not be reclassified into profit or loss, net of tax:* | **1,101,786** | (1,181,028) |
| Remeasurement losses on pension obligation (Note 16) | **(7,747,836)** | – |
| | **(6,646,050)** | (1,181,028) |
| **TOTAL COMPREHENSIVE LOSS** | **(P334,885,674)** | (P92,706,952) |

*See Notes to the Financial Statements.*

# Statements of Changes in Equity

*Years Ended December 31*

| | Capital Stock | Accumulated Deficit | Remeasurement Loss on Pension Obligation | Revaluation Loss on Financial Assets at Fair Value Through Other Comprehensive Income | Total Equity |
|---|---|---|---|---|---|
| **BALANCE AT JANUARY 1, 2021** | **P1,300,000,000** | **(P149,024,903)** | **(P1,181,028)** | **P -** | **P1,149,794,069** |
| **TOTAL COMPREHENSIVE LOSS** | | | | | |
| Net loss during the year | **-** | **(328,239,624)** | **-** | **-** | **(328,239,624)** |
| Other comprehensive loss | **-** | **-** | **1,101,786** | **(7,747,836)** | **(6,646,050)** |
| | **-** | **(328,239,624)** | **1,101,786** | **(7,747,836)** | **(334,885,674)** |
| **TRANSACTION WITH THE STOCKHOLDERS OF THE COMPANY** | | | | | |
| Issuance of capital stock (Note 12) | **300,000,000** | **-** | **-** | **-** | **300,000,000** |
| **Balance at December 31, 2021** | **P1,600,000,000** | **(P477,264,527)** | **(P79,242)** | **(P7,747,836)** | **P1,114,908,395** |
| Balance at January 1, 2020 | P1,300,000,000 | (P57,498,979) | P - | P - | P1,242,501,021 |
| Total Comprehensive Loss | | | | | |
| Net loss during the year | - | (91,525,924) | - | **-** | (91,525,924)) |
| Other comprehensive loss | - | - | (1,181,028) | **-** | (1,181,028) |
| | - | (91,525,924) | (1,181,028) | **-** | (92,706,952) |
| Balance at December 31, 2020 | P1,300,000,000 | (P149,024,903) | (P1,181,028) | P - | P1,149,794,069 |

*See Notes to the Financial Statements.*

# Statement of Cash Flows

| | 2021 | Years Ended December 31<br>2020 (As reclassified - Note 20) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before income tax | **(P322,723,622)** | (P88,253,284) |
| Adjustments for: | | |
| Net fair value loss (gain) on financial assets | | |
| at fair value through profit or loss ( Note 13) | **26,831,647** | (71,280,374) |
| Retirement expense (Note 16) | **3,200,464** | 1,147,260 |
| Depreciation (Note 7, 14) | **1,633,265** | 1,017,516 |
| Dividend income (Note 13) | **(424,762)** | (145,372) |
| Unrealized foreign exchange (gain) loss - net | **(6,523,765)** | 1,238,073 |
| Interest income ( Note 4, 6, 13) | **(31,426,928)** | (30,714,715) |
| | **(329,433,701)** | (186,990,896) |
| Changes in: | | |
| Insurance receivables | **(1,922,974)** | - |
| Financial assets at fair value through profit or loss (Note 20) | **98,577,549** | (731,434,208) |
| Other receivables | **(1,618,220)** | (103,634) |
| Other assets | **(33,535,095)** | (4,884,884) |
| Insurance contract liabilities | **28,192,228** | 5,693,495 |
| Accrued expenses and other liabilities | **21,097,694** | 5,485,471 |
| | **(218,642,519)** | (912,234,656) |
| Interest received | **32,948,366** | 25,728,570 |
| Dividends received | **421,959** | 136,203 |
| Final taxes paid | **(6,258,755)** | (3,616,818) |
| Net cash used in operating activities | **(191,530,949)** | (889,986,701) |

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# Statement of Cash Flows

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | **2020 (As reclassified - Note 20)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Office equipment (Note 7) | **(2,003,401)** | (2,553,369) |
| Financial assets at fair value through other comprehensive income Note 6) | **(10,079,612)** | - |
| Computer software ( Note 8) | **(18,549,675)** | - |
| Net cash used in investing activities | **(30,632,688)** | (2,553,369) |
| **CASH FLOW FROM A FINANCING ACTIVITY** | | |
| Proceeds from issuance of capital stock (Note 12) | **300,000,000** | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **77,836,363** | (892,540,070) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **87,118,896** | 980,897,039 |
| **EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **6,523,765** | (1,238,073) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR ( Note 4)** | **P171,479,024** | P87,118,896 |

*See Notes to the Financial Statements.*

# Notes To Financial Statements

## 1. Reporting Entity

Singlife Philippines Inc. (the Company) was incorporated and registered with the Philippine 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) with share ownership of 52.81%, while Di-Firm Capital Pte. Ltd. (Di-Firm), Aboitiz Equity Ventures Inc. (AEV) and Aviva Singlife Holdings Pte. Ltd. (Aviva Singlife) owned the remaining shares of 20%, 15% and 12.19%, respectively. Aviva Singlife is the ultimate parent entity holding fully the Parent Company and Aviva Ltd.

The Parent Company, Di-Firm and Aviva Singlife were incorporated and organized under the laws of Singapore, while AEV was incorporated in the Philippines.

The registered office address of the Company is at 12F Four/Neo Bldg., 4th Avenue cor. 30th St., Bonifacio Global City, Fort Bonifacio, Taguig City.

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# Notes To Financial Statements

## 2. Basis of Preparation

### Basis of Accounting

These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). They were authorized for issue by the Company's board of directors (BOD) on February 28, 2022.

Details of the Company's significant accounting policies are included in Note 23.

### Basis of Measurement

These financial statements have been prepared under the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date.

| Items | Measurement bases |
|---|---|
| Financial assets at fair value through profit or loss (FVTPL) | Fair value |
| Financial asset at fair value through other comprehensive income (FVTOCI) | Fair value |
| Legal policy reserves | Gross premium valuation and unearned premium |
| Pension liabilities | Present value of defined benefit obligation |

### Functional and Presentation Currency

The financial statements are presented in Philippine peso (P), the Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Notes To Financial Statements

## 3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

### Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

***Classifying Financial Instruments***
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

***Business Model Assessment***
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

***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.

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# Notes To Financial Statements

*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 judgment was based change or as a result of new information that affects the judgment.

## Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties at December 31, 2021 that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

*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 Insurance Code (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 P24.34 million and P5.26 million as at December 31, 2021 and 2020, respectively (see Note 10).

# Notes To Financial Statements

***Fair Value of Financial Assets***

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.

The carrying value of the financial assets at FVTPL amounted to P0.95 billion and P1.07 billion as at December 31, 2021 and 2020, respectively (see Note 6). The carrying value of the financial assets at FVTOCI amounted to P2.33 million as at December 31, 2021 (see Note 6).

***Estimating Useful Lives of Office Equipment and Computer Software***

The useful life of each of the Company's items of office equipment and computer software 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 assets.

The carrying value of office equipment amounted to P3.44 million and P3.07 million as at December 31, 2021 and 2020, respectively (see Note 7); and the carrying value of computer software amounted to P18.55 million as at December 31, 2021. (see Note 8).

# Notes To Financial Statements

***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 P1.11 million and P0.85 million as at December 31, 2021 and 2020, respectively, as the Company believes sufficient taxable income will allow these deferred tax assets to be utilized (see Note 18).

***Pension Liabilities***

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 on pension liabilities are disclosed in Note 16.

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# Notes To Financial Statements

## 4. Cash and Cash Equivalents

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Cash in banks | **P96,461,013** | P73,648,032 |
| Cash equivalents (Note 21) | **75,018,011** | 13,470,864 |
| | **P171,479,024** | P87,118,896 |

Cash in banks earns interest at prevailing bank deposit rates.

Cash equivalents are made for varying periods not exceeding three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates. Cash equivalents also include cash held under the GCash wallet amounting to P7.84 million and P3.84 million as at December 31, 2021 and 2020, respectively.

Cash and cash equivalents amounting P128.45 million and P9.64 million as at December 31, 2021 and 2020, respectively, are managed by ATR Asset Management (ATRAM) Trust Corporation.

Interest income on cash and cash equivalents recognized in the statement of profit or loss and other comprehensive loss amounted to P0.26 million and P1.28 million in 2021 and 2020, respectively (see Note 13).

## 5. Insurance Receivables

This account consists of premiums due and uncollected from policyholders amounting to P1.92 million as at December 31, 2021. These are normally collected within the grace period of 31 days.

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# Notes To Financial Statements

## 6. Financial Assets

The Company's financial assets consist of the following:

Financial Assets at FVTPL

| | 2021 | 2020 |
|---|---|---|
| Government debt securities | **P764,442,282** | P928,699,006 |
| Corporate debt securities | **74,949,987** | 4,878,183 |
| Unit investment trust funds (UITFs)/ mutual funds (MFs) | **49,753,169** | 117,342,897 |
| Equity securities | **40,363,267** | 20,502,112 |
| Convertible note | **16,504,297** | - |
| (Note 21) | **P946,013,002** | P1,071,422,198 |

Investments in corporate and government debt securities classified as financial assets at FVTPL earn annual interest ranging from 2.38% to 5.50% in 2021 and 2020.

Investments in UITFs/MFs are managed by professional fund managers and are invested in various financial instruments such as money market securities, bonds and equities.

The Company invested in a two-year convertible note issued by Galileo Platforms Ltd. (Galileo) which was designated by management as financial assets at FVTPL upon initial recognition.

The financial assets at FVTPL of the Company are managed by ATRAM Trust Corporation excluding the government debt securities held by the National Registry of Scripless Securities (nRoSS) amounting to P264.28 million and P270.38 million as at December 31, 2021 and 2020, respectively, and a convertible note with Galileo amounting to P16.50 million as at December 31, 2021.

The nRoss securities are earmarked as non-tradable in accordance with the provision of the Code as security for the benefit of policyholders and creditors of the Company, but based on the Company's assessment of business model, this has been designated as financial assets at FVTPL upon initial recognition.

Interest income from financial assets at FVTPL amounted to P31.17 million and P29.43 million in 2021 and 2020, respectively (see Note 13).

Dividend income from equity securities classified by the Company as financial assets at FVTPL amounted to P0.42 million and P0.15 million in 2021 and 2020, respectively (see Note 13).

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# Notes To Financial Statements

***Financial Assets at FVTOCI***

The Company acquired 5,264 series A1 preferred shares of Galileo which were irrevocably designated by the management as financial assets at FVTOCI on initial recognition amounting to P2.33 million as at December 31, 2021.

A fair value loss of P7.75 million is recognized in other comprehensive loss.

Reconciliation of the carrying amounts of financial assets at FVTPL and FVTOCI at the beginning and end of the year is shown below.

| 2021 | Financial Assets at FVTPL | Financial Assets at FVTOCI | Total |
|---|---|---|---|
| Balance at beginning of year | **P1,071,422,198** | **P -** | **P1,071,422,198** |
| Additions | **5,755,134,223** | **10,079,612** | **5,765,213,835** |
| Disposals and maturities | **(5,853,711,772)** | **-** | **(5,853,711,772)** |
| Fair value losses (Note 13) | **(26,831,647)** | **-** | **(26,831,647)** |
| Revaluation loss on financial assets at FVTOCI | **-** | **(7,747,836)** | **(7,747,836)** |
| **Balance at end of year(Note 21)** | **P946,013,002** | **P2,331,776** | **P948,344,778** |

| 2020 | Financial Assets at FVTPL | Financial Assets at FVTOCI | Total |
|---|---|---|---|
| Balance at beginning of year | P268,707,616 | P - | P268,707,616 |
| Additions | 6,175,905,433 | - | 6,175,905,433 |
| Disposals and maturities | (5,444,471,225) | - | (5,444,471,225) |
| Fair value losses (Note 13) | 71,280,374 | - | 71,280,374 |
| Balance at end of year(Note 21) | P1,071,422,198 | P - | P1,071,422,198 |

Singlife

# Notes To Financial Statements

*Receivables*

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Interest receivable on: | | |
| Financial assets at FVTPL | **P4,922,162** | P6,460,936 |
| Cash and cash equivalents | **18,064** | 728 |
| Dividends receivable | **11,972** | 9,169 |
| Other receivables | **1,747,168** | 128,948 |
| (Note 21) | **P6,699,366** | P6,599,781 |

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

Other receivables consist of due from debtors and employees. These are noninterest-bearing and collectible within the next 12 months from the reporting period.

## 7. Office Equipment

The movements of this account are as follows:

| | 2021 | 2020 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **P4,222,744** | P1,669,375 |
| Additions | **2,003,401** | 2,553,369 |
| **Balance at end of year** | **6,226,145** | 4,222,744 |
| **Accumulated Depreciation** | | |
| Balance at beginning of year | **1,147,957** | 130,441 |
| Depreciation (Note 14) | **1,633,265** | 1,017,516 |
| **Balance at end of year** | **2,781,222** | 1,147,957 |
| **Carrying Amount** | **P3,444,923** | P3,074,787 |

There are no conditions that indicate impairment of property and equipment as at December 31, 2021 and 2020.

Singlife

# Notes To Financial Statements

## 8. Computer Software

The movements of this account are as follows:

| | 2021 |
|---|---|
| **Cost** | |
| Balance at beginning of year | **P -** |
| Additions | **18,549,675** |
| **Balance at end of year** | **P18,549,675** |

## 9. Other Assets

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Prepaid service | **P34,540,738** | P - |
| Input value-added tax (VAT) | **27,444,937** | 8,040,757 |
| Refundable deposits (Note 17,21) | **5,025,975** | 2,333,977 |
| Other current assets | **247,909** | 3,945,550 |
| | **67,259,559** | 14,320,284 |
| Less: Allowance for impairment losses | **27,444,937** | 8,040,757 |
| | **P39,814,622** | P6,279,527 |

Prepaid service pertains to the service credit attached to the convertible note issued by Galileo to the Company. The service credit will be utilized over the duration of the note for services rendered by Galileo to the Company.

Refundable deposits represent amount deposited to the lessor for its lease contract (see Note 17) and the two-month deposits with the Company's outsourced recruitment agent.

Allowance for impairment losses pertains to input VAT of the Company that is not expected to be utilized in the coming years in consideration of the generation of revenues with output VAT (see Note 14).

Singlife

# Notes To Financial Statements

## 10. Insurance Contract Liabilities

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Legal policy reserves | **P24,342,287** | P5,260,818 |
| Claims and benefits payable | **9,543,436** | 432,677 |
| | **P33,885,723** | P5,693,495 |

The movements in legal policy reserves:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | **P5,260,818** | P - |
| Change in reserves due to change in in-force policies | **19,081,469** | 5,260,818 |
| Balance at end of year | **P24,342,287** | P5,260,818 |

The movements in claims and benefits payable:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | **P432,677** | P - |
| Arising during the year (Note 13) | **22,960,229** | 557,177 |
| Paid during the year | **(13,849,470)** | (124,500) |
| Balance at end of year | **P9,543,436** | P432,677 |

Singlife

# Notes To Financial Statements

***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 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.

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.

- ***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 (CL) No. 2016-66 (the Circular).

Also 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.

Singlife

# Notes To Financial Statements

***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** | **2021** | **2020** |
| Mortality | +10% | **P2,392,799** | P203,646 |
| | -10% | **(2,232,961)** | (203,646) |
| Expense | +10% | **831,269** | 80,142 |
| | -10% | **(775,855)** | (80,142) |
| Lapse | +10% | **112,060** | - |
| | -10% | **(102,298)** | - |
| Discount rate | +10% | **(6,250)** | - |
| | -10% | **6,430** | - |

Singlife

# Notes To Financial Statements

## 11. Accrued Expenses and Other Liabilities

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Accrued expenses (Note 21) | **P32,737,663** | P10,996,233 |
| Taxes payable | **3,106,726** | 3,706,686 |
| Due to government agencies (Note 21) | **321,711** | 805,504 |
| Other payables | **1,955,109** | 1,515,092 |
| | **P38,121,209** | P17,023,515 |

Accrued expenses include accruals of professional expenses, incentives to employees which are non-interest bearing and payable within one year except long-term incentives which vest after three years, and other miscellaneous expenses.

Taxes payable include taxes withheld from staff and agents, stamp duties and premium taxes.

Due to government agencies are loans and contributions to Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and Home Development Mutual Fund (HDMF).

Other payables include platform fee payable to GCash for the use of its application.

Singlife

# Notes To Financial Statements

## 12. Capital Stock

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Number of Shares** | **Amount** |
| **Authorized Capital Stock** | | | | |
| P100 par value per share | **25,000,000** | **P2,500,000,000** | 25,000,000 | P2,500,000,000 |
| **Issued and Outstanding** | | | | |
| Balance at beginning of year | **13,000,000** | **P1,300,000,000** | 13,000,000 | P1,300,000,000 |
| Issued during the year | **3,000,000** | **300,000,000** | - | - |
| **Balance at end of year** | **16,000,000** | **P1,600,000,000** | 13,000,000 | P1,300,000,000 |

The shareholders of the Company infused capital amounting to P300.00 million during the year equivalent to 3,000,000 shares in order for the Company to meet the minimum net worth requirement. (see Note 19).

Singlife

# Notes To Financial Statements

## 13. Revenue and Gross Benefit and Claims

The gross insurance premium revenue consists of:

| | 2021 | 2020 |
|---|---|---|
| **Premium Revenue Arising from Contracts Issued** | | |
| Life insurance contracts | **P99,323,690** | P8,477,185 |

The investment income consists of:

| | 2021 | 2020 |
|---|---|---|
| Interest on: | | |
| Financial assets at FVTPL (Note 6) | **P31,165,470** | P29,434,842 |
| Cash and cash equivalents (Note 4) | **261,458** | 1,279,873 |
| Dividend income (Note 6) | **424,762** | 145,372 |
| Fair value (losses) gains from financial assets at FVTPL (Note 6) | **(26,831,647)** | 71,280,374 |
| | **P5,020,043** | P102,140,461 |

Gross benefits and claims incurred during the year consist of:

| | 2021 | 2020 |
|---|---|---|
| Hospitalization benefits | **P20,353,245** | P557,177 |
| Accident benefits | **2,606,984** | - |
| (Note 10) | **P22,960,229** | P557,177 |

Singlife

# Notes To Financial Statements

## 14. General and Administrative Expenses

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Salaries and wages | **P105,096,071** | P78,658,970 |
| Contracted services | **138,833,005** | 53,526,911 |
| Advertising and promotion | **40,989,349** | 7,753,563 |
| Other short-term employee benefits | **34,948,854** | 17,817,264 |
| Rent (Note 17) | **11,075,888** | 9,100,382 |
| Taxes and licenses | **3,446,179** | 3,149,536 |
| Insurance taxes | **5,489,537** | 305,234 |
| Legal and professional fees | **3,390,937** | 2,389,743 |
| Retirement expense (Note 16) | **3,200,464** | 1,147,260 |
| Investment fees | **3,175,954** | 2,788,673 |
| SSS, HDMF and PHIC contribution | **2,319,141** | 946,124 |
| Depreciation (Note 7) | **1,633,265** | 1,017,516 |
| Provision for impairment loss on input VAT | **-** | 8,040,757 |
| Miscellaneous | **3,795,612** | 2,971,107 |
| | **P357,394,256** | P189,613,040 |

Contracted services pertain to services provided through agreement with another agency, organization, or individual on behalf of the Company. The agreement specifies the services or personnel to be provided on behalf of the Company and the fees to provide these services or personnel.

Other short-term employee benefits consist of the 13th and 14th month benefits and medical allowances given to the employees.

Investment fees pertain to management fees to ATRAM Trust Corporation as compensation for its services as investment manager. This is calculated at 0.30% annually based on the portfolio value. Investment fees also include custody and transaction fees.

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

Singlife

# Notes To Financial Statements

## 15. Underwriting Expenses

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Service fees | **P28,795,488** | P1,789,771 |
| Sales-related expenses | **5,591,235** | 1,790,022 |
| | **P34,386,723** | P3,579,793 |

Service fees are given to Gxchange, Inc. upon sale of insurance policies and is calculated based on a certain percentage of premium indicated in the agreement. Sales-related expenses are promotional expenses incurred to induce policyholders to buy insurance from the Company.

Singlife

# Notes To Financial Statements

## 16. Pension Liabilities

The Company has set-up a non-contributory defined benefit pension plan starting 2020, covering substantially all of its employees. As at December 31, 2021 and 2020, the Company has not made any contribution to the retirement fund nor set up a separately administered fund.

Changes in pension liability are as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | **P2,834,443** | P - |
| **Included in Profit or Loss** | | |
| Current service cost | **3,091,905** | 1,147,260 |
| Interest cost | **108,559** | - |
| (Note 14) | **3,200,464** | 1,147,260 |
| **Included in Other Comprehensive Loss** | | |
| Remeasurement (loss) gain: | | |
| Actuarial (loss) gain arising from: | | |
| Demographic assumption | **-** | 1,687,183 |
| Experience adjustment | **(499,713)** | - |
| Financial assumption | **(1,081,814)** | - |
| | **(1,581,527)** | 1,687,183 |
| **Balance at end of year** | **P4,453,380** | P2,834,443 |

The principal assumptions used in determining pension liabilities or the Company's plan follow:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | **5.05%** | 3.83% |
| Rate of salary increase | **6.00%** | 6.00% |
| Mortality table | **1994 GAMT** | 1994 GAMT |
| Disability table | **1952 DT** | 1952 DT |
| Average years of service | **1.26 years** | 0.78 years |

# Notes To Financial Statements

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

| | Increase (Decrease) in Rates | Impact on Defined Benefit Obligation | |
|---|---|---|---|
| | | **2021** | **2020** |
| Discount rate | 1% | **(P709,150)** | (P468,457) |
| | (1%) | **866,635** | 574,982 |
| Rate of salary increase | 1% | **848,962** | 556,372 |
| | (1%) | **(709,469)** | (463,673) |

Shown below is the maturity analysis of the Company's defined benefit obligation based on undiscounted benefit payments:

| **2021** | | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | **Within 1 Year** | **Within 1 - 5 Years** | **More than 5 Years** |
| Pension liabilities | **P4,453,380** | **P157,746,411** | **P -** | **P -** | **P157,746,411** |
| **2020** | | | | | |
| | Carrying Amount | Contractual Cash Flows | Within 1 Year | Within 1 - 5 Years | More than 5 Years |
| Pension liabilities | P2,834,443 | P127,498,400 | P - | P - | P127,498,400 |

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# Notes To Financial Statements

## 17. Lease Agreement

The Company entered into a non-cancellable operating lease agreement with APEX Net, Inc. for the seat lease of a serviced office space located at 12F Four/Neo Bldg., 4th Avenue cor. 30th St., Bonifacio Global City, For Bonifacio, Taguig City for a period of one (1) year, renewable for another year upon mutual agreement by two parties. The lease was renewed for another one (1) year starting August 1, 2021. The Company paid security deposit for this lease and the balance as at December 31, 2021 and 2020 amounted to P1.47 million. This is presented as part of "Refundable deposits" in Note 9.

Total rent expense charged to operations amounted to P11.08 million and P9.10 million for the years ended December 31, 2021 and 2020, respectively (see Note 14).

## 18. Income Taxes

Provision for income tax consists of:

| | 2021 | 2020 |
|---|---|---|
| Final tax | **P6,258,755** | P3,616,818 |
| Deferred tax | **(742,753)** | (344,178) |
| | **P5,516,002** | P3,272,640 |

The reconciliation between tax expense and the product of accounting loss multiplied by 25% in 2021 and 30% in 2020 follows:

| | 2021 | 2020 |
|---|---|---|
| Loss before income tax | **(P322,723,622)** | (P88,253,284) |
| Income tax computed at 25% and 30% statutory tax rates, respectively | **(P80,680,906)** | (P26,475,985) |
| Adjustments for: | | |
| Change in unrecognized deferred tax assets | **82,533,064** | 32,641,383 |
| Input VAT write off | **4,797,383** | 2,412,227 |
| Non-deductible expenses | **1,124,555** | 336,224 |
| Effect of change of tax rates on 2020 | **57,363** | - |
| Interest income subjected to final tax | **(2,209,266)** | (5,597,597) |
| Dividend income | **(106,191)** | (43,612) |
| | **P5,516,002** | P3,272,640 |

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# Notes To Financial Statements

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's deferred tax assets are as follows:

| | 2021 | 2020 |
|---|---|---|
| **Deferred Tax Assets** | | |
| Recognized in profit or loss: | | |
| Pension liability | **P1,086,931** | P344,178 |
| Net operating loss carry over (NOLCO) | **-** | 3,891,723 |
| Recognized in other comprehensive loss: | | |
| Remeasurement losses on pension obligation | **26,414** | 506,155 |
| | **1,113,345** | 4,742,056 |
| **Deferred Tax Liabilities** | | |
| Recognized in other comprehensive loss: | | |
| Unrealize gain on financial assets at FVTPL | **-** | (3,891,723) |
| | **-** | (3,891,723) |
| | **P1,113,345** | P850,333 |

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.

| | 2021 | 2020 |
|---|---|---|
| NOLCO | **P120,860,287** | P47,272,229 |
| Provisions | **7,813,506** | 2,346,026 |
| Unrealized loss | **3,848,948** | 371,422 |
| | **P132,522,741** | P49,989,677 |

# Notes To Financial Statements

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

Pursuant to Section 34 of the National Internal Revenue Code, the following NOLCO of the Company can be carried over as a deduction from gross income for the next three (3) consecutive years following the year of such loss.

| Year Incurred | Year of Expiry | NOLCO |
|---|---|---|
| 2019 | 2022 | P55,260,193 |

Pursuant to Section 4 (bbbb) of Republic Act (R.A.) No. 11494, Bayanihan to Recover as One Act, and as implemented under RR No. 25-2020, the following NOLCO of the Company incurred for the taxable year 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years following the year of such loss.

| Year Incurred | Year of Expiry | NOLCO |
|---|---|---|
| 2020 | 2025 | P115,286,313 |
| 2021 | 2026 | 294,352,230 |
| | | P409,638,543 |

Singlife

# Notes To Financial Statements

## 19. Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

| Related Party | Relationship |
|---|---|
| Singapore Life Holdings Pte. Ltd. | Parent company |
| Di-Firm Capital Pte. Ltd. | Shareholder |
| Aboitiz Equity Ventures Inc. | Shareholder |

| | Amount of Transactions | | Amount Outstanding | | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **Terms and Conditions** |
| Issuance of capital stock | | | | | |
| Aviva Singlife Holdings Pte. Ltd. | **P195,000,000** | P - | **P -** | P - | |
| Di-Firm Capital Pte. Ltd. | **60,000,000** | - | **-** | - | |
| Aboitiz Equity Ventures Inc. | **45,000,000** | - | **-** | - | |
| | **P300,000,000** | P - | **P -** | P - | |

***KMP***

The compensation of the directors and other members of key management personnel of the Company amounted are as follows:

| | **2021** | **2020** |
|---|---|---|
| Short-term employee benefits | **P62,752,892** | P42,233,708 |
| Post-employment benefits | **2,590,465** | 1,918,749 |
| | **P65,343,357** | P44,152,457 |

All outstanding related party balances will be settled in cash.

Singlife

# Notes To Financial Statements

## 20. Cash Flow Reclassification

The Company reclassified proceeds from disposal and maturities, and acquisitions of financial assets at FVTPL amounting to P5.44 billion and P6.18 billion, respectively, for a net change in financial assets at FVTPL amounting to P731.43 million in 2020 from investing activity to operating activity to achieve a more appropriate and relevant presentation in the statement of cash flows considering the Company has significantly commenced primary business operations in 2021. The reclassification resulted to the increase in net cash flows from investing activities from net cash used of P733.99 million to P2.55 million and decrease in net cash flows from operating activities from net cash used of P158.55 million to P889.99 million in 2020.

## 21. Capital, Insurance and Financial Risk Management Objectives and Policies

### 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 risks. It also supports the effective implementation of policies at the overall company level. 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.

# Notes To Financial Statements

## 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***

On 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 P1.00 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, 2021 and 2020, the Company has complied with the unimpaired capital requirement.

Singlife

# Notes To Financial Statements

***Minimum Statutory Net Worth Requirements***
On January 13, 2015, the IC issued 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 |
|---|---|
| P550,000,000 | 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, 2021 and 2020, 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, 2021, 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:

| | 2021 | 2020 |
|---|---|---|
| Total available capital | **P1,052,233,738** | P1,139,460,474 |
| RBC requirement | **45,870,233** | 47,871,277 |
| **RBC Ratio** | **2,294%** | 2,380% |

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.

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# Notes To Financial Statements

## 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.

# Notes To Financial Statements

## Fair Value of Financial Instruments

The fair value of financial assets at FVTPL 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, receivables, refundable deposits, and accrued expenses 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).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments and for which observable market price exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free rate and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates and equity index prices and expected price volatiles and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset and paid to transfer the liability in and orderly transaction between market participants at the measurement date.

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# Notes To Financial Statements

As at December 31, 2021 and 2020, the Company classifies its financial assets at fair value as follows:

**2021**

| | Carry Value | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Assets measured at fair value: | | | | | |
| Government debt securities | **P764,442,282** | **P -** | **P764,442,282** | **P -** | **P764,442,282** |
| Corporate debt securities | **74,949,987** | **-** | **74,949,987** | **-** | **74,949,987** |
| UITFs/MFs | **49,753,169** | **-** | **49,753,169** | **-** | **49,753,169** |
| Equity securities | **40,363,267** | **40,363,267** | **-** | **-** | **40,363,267** |
| Convertible note | **16,504,297** | **-** | **-** | **16,504,297** | **16,504,297** |
| Preferred shares | **2,331,776** | **-** | **-** | **2,331,776** | **2,331,776** |
| **Total** | **P948,344,778** | **P40,363,267** | **P889,145,438** | **P18,836,073** | **P948,344,778** |

**2020**

| | Carry Value | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Assets measured at fair value: | | | | | |
| Government debt securities | P928,699,006 | P - | P928,699,006 | P - | P928,699,006 |
| UITFs/MFs | 117,342,897 | - | 117,342,897 | - | 117,342,897 |
| Equity securities | 20,502,112 | 20,502,112 | - | - | 20,502,112 |
| Corporate debt securities | 4,878,183 | - | 4,878,183 | - | 4,878,183 |
| Total | P1,071,422,198 | P20,502,112 | P1,050,920,086 | P - | P1,071,422,198 |

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# Notes To Financial Statements

There has been no transfer between levels in 2021 and 2020.

The following table shows a reconciliation from beginning to ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| 2021 | Financial Assets at FVTPL | Financial Assets at FVTOCI | Total |
|---|---|---|---|
| Balance at beginning of year | P - | P - | P - |
| Additions | 15,878,125 | 10,079,612 | 25,957,737 |
| Unrealized gain (loss): | | | |
| Recognized in profit or loss | 626,172 | - | 626,172 |
| Recognized in other comprehensive loss | - | (7,747,836) | (7,747,836) |
| **Balance at end of year** | **P16,504,297** | **P2,331,776** | **P18,836,073** |

Unrealized gain on financial assets at FVTPL was recognized as part of "Investment income"; and unrealized loss on financial assets at FVOCI was recognized under "Revaluation loss on financial assets at fair value through other comprehensive income".

## Financial Risk

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.

Notes To Financial Statements

***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 at December 31, 2021 and 2020, the Company's maximum exposure to credit risk from its financial assets (cash and cash equivalents, financial assets at FVTPL, and receivables) is equal to their carrying amounts. 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 at December 31, 2021 and 2020.

# Notes To Financial Statements

As at December 31, 2021 and 2020, the credit quality per class of the Company's financial assets is as follows:

| 2021 | Investment Grade | Non-investment Grade | Total |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | P171,479,024 | P - | P171,479,024 |
| Insurance receivables | - | 1,922,974 | 1,922,974 |
| Financial assets at FVTPL | 929,508,705 | 16,504,297 | 946,013,002 |
| Financial assets at FVTOCI | - | 2,331,776 | 2,331,776 |
| Receivables | 4,952,198 | 1,747,168 | 6,699,366 |
| Refundable deposits | - | 5,025,975 | 5,025,975 |
| | P1,105,939,927 | P27,532,190 | P1,133,472,117 |

| 2020 | Investment Grade | Non-investment Grade | Total |
|---|---|---|---|
| Financial Assets | | | |
| Cash and cash equivalents | P87,118,896 | P - | P87,118,896 |
| Financial assets at FVTPL | 1,071,422,198 | - | 1,071,422,198 |
| Receivables | 6,470,833 | 128,948 | 6,599,781 |
| Refundable deposits | - | 2,333,977 | 2,333,977 |
| | P1,165,011,927 | P2,462,925 | P1,167,474,852 |

Notes To Financial Statements

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, 2021 and 2020.

***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 at December 31, 2021 and 2020, 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:

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# Notes To Financial Statements

| 2021 | Up to a Year* | 1 - 3 Year | Over 3 Years | No Term | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | P171,479,024 | P - | P - | P - | P171,479,024 |
| Insurance receivables | 1,922,974 | - | - | - | 1,922,974 |
| Financial assets at FVTPL | 442,100,000 | 255,620,000 | 188,680,000 | 90,116,436 | 976,516,436 |
| Financial assets at FVTOCI | - | - | - | 2,331,776 | 2,331,776 |
| Receivables | 6,699,366 | - | - | - | 6,699,366 |
| Refundable deposits | 5,025,975 | - | - | - | 5,025,975 |
| Total financial assets | 627,227,339 | 255,620,000 | 188,680,000 | 92,448,212 | 1,163,975,551 |
| Insurance contract liabilities | 33,885,723 | - | - | - | 33,885,723 |
| Accrued expenses and other liabilities** | 33,683,916 | 1,008,855 | - | - | 34,692,771 |
| Total financial liabilities | 67,569,639 | 1,008,855 | - | - | 68,578,494 |
| Liquidity position | P559,657,700 | P254,611,145 | P188,680,000 | P92,448,212 | P1,095,397,057 |

| 2020 | Up to a Year* | 1 - 3 Year | Over 3 Years | No Term | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | P87,118,896 | P - | P - | P - | P87,118,896 |
| Financial assets at FVTPL | 82,200,000 | 378,800,000 | 436,430,000 | 137,935,009 | 1,035,365,009 |
| Receivables | 7,025,757 | - | - | - | 7,025,757 |
| Refundable deposits | 2,333,977 | - | - | - | 2,333,977 |
| Total financial assets | 178,678,630 | 378,800,000 | 436,430,000 | 137,935,009 | 1,131,843,639 |
| Insurance contract liabilities | 5,693,495 | - | - | - | 5,693,495 |
| Accrued expenses and other liabilities** | 12,511,326 | - | - | - | 12,511,326 |
| Total financial liabilities | 18,204,821 | - | - | - | 18,204,821 |
| Liquidity position | P160,473,809 | P378,800,000 | P436,430,000 | P137,935,009 | P1,113,638,818 |

*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.

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# Notes To Financial Statements

## 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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| Cash in banks | **$1,912,548** | **P97,538,053** | $282,784 | P13,580,120 |
| Cash equivalents | **-** | **-** | 200,545 | 9,630,798 |
| Financial assets at FVTPL | **323,620** | **16,504,296** | - | - |
| Financial assets at FVTOCI | **45,722** | **2,331,776** | - | - |
| Net foreign currency-denominated assets | **$2,281,890** | **P116,374,125** | $483,329 | P23,210,918 |

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# Notes To Financial Statements

The balances have been restated based on the reference rate at P50.999 per USD and P48.023 per USD as at December 31, 2021 and 2020, respectively.

The Company recognized net foreign exchange gain of P6.70 million in 2021 and net foreign exchange loss of P0.14 million in 2020 arising from the revaluation of foreign currency-denominated monetary asset.

The net foreign exchange gain comprises of unrealized foreign exchange gain of P6.52 million in 2021 and unrealized foreign exchange loss amounting to P1.24 million in 2020, and realized foreign exchange gain of P0.17 million and P1.38 million in 2021 and 2020, 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 for the years ended December 31, 2021 and 2020. There is no other impact on the Company's equity other than those already affecting profit or loss.

| | **Increase (Decrease) in Exchange Rate** | | **Effect on Income before Tax** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| USD | **2.86%** | 5.28% | **P3,334,082** | P1,225,341 |
| | **(2.86%)** | (5.28%) | **(3,334,082)** | (1,225,341) |

In 2021 and 2020, 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.

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# Notes To Financial Statements

## 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 FVTPL 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:

| 2021 | Range of Interest Rate | Up to a Year* | 1 - 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 0.20%-1.10% | P171,479,024 | P - | P - | P171,479,024 |
| Financial assets at FVTPL: | | | | | |
| Government debt securities | 2.38%-5.50% | 440,217,046 | 198,864,308 | 125,360,928 | 764,442,282 |
| Corporate debt securities | 3.05%-5.10% | 3,773,129 | 9,879,309 | 61,297,549 | 74,949,987 |
| Total financial assets | | P615,469,199 | P208,743,617 | P186,658,477 | P1,010,871,293 |

| 2020 | Range of Interest Rate | Up to a Year* | 1 - 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 0.20%-1.10% | P87,118,896 | P - | P - | P87,118,896 |
| Financial assets at FVTPL: | | | | | |
| Government debt securities | 2.38%-5.50% | 84,424,760 | 390,453,498 | 460,486,873 | 935,365,131 |
| Corporate debt securities | 3.05%-3.68% | - | 4,878,183 | - | 4,878,183 |
| Total financial assets | | P171,543,656 | P395,331,681 | P460,486,873 | P1,027,362,210 |

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# Notes To Financial Statements

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 FVTPL.

| | Increase (Decrease) in Exchange Rate | | Effect on Income before Tax | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Financial assets at FVTPL | **10%**<br>**(10%)** | 10%<br>(10%) | **P83,939,227**<br>**(83,939,227)** | P94,987,411<br>(94,987,411) |

In 2021 and 2020, 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 FVTPL. 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 FVTPL.

| | Increase (Decrease) in PSE Index | | Effect on Income before Tax | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Financial assets at FVTPL | **2.56%**<br>**(2.56%)** | 13.31%<br>(13.31%) | **P1,034,380**<br>**(1,034,380)** | P18,346,909<br>(18,346,909) |

In 2021 and 2020, the change in variable was derived from the percentage changes of the composite PSE index for the past three years.

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# Notes To Financial Statements

## 22. Events After the Reporting Period

On November 15, 2021, a deed of assignment of shares was made transferring all owned shares of the Parent Company to Aviva Singlife Holdings Pte. Ltd., making the latter the 'new Parent Company'. This was finalized on February 14, 2022 through the issuance of the certificate authorizing registration from the BIR.

On February 28, 2022, the BOD approved, through a regular meeting, a capital request from the Company's shareholders for an additional capital infusion amounting to P400.00 million. As at the date of the BOD's approval of financial statements, the capital request is in progress and this will also be subject to regulatory approval.

## 23. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as discussed below.

### Adoption of Amendments to Standards and Framework

The Company has adopted the following amendments to standards and framework starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and framework did not have any significant impact on the Company's financial statements.

- PFRS 9, *Financial Instruments*, replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model. PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

- Prepayment Features with Negative Compensation (Amendments to PFRS 9). The amendments cover the following areas:

  - ***Prepayment Features with Negative Compensation***. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

  The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

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# Notes To Financial Statements

- ***Modification of Financial Liabilities***. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financia asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

The Company has applied PFRS 9 retrospectively. The application of PFRS 9's classification and measurement requirements did not result to material changes to the Company's financial assets as at January 1, 2021. The Company's cash and cash equivalents, receivables and refundable deposits, previously classified as loans and receivables under PAS 39, are now classified as financial assets at amortized cost under PFRS 9 with no resulting remeasurement and change to presentation. Similarly, the Company's financial assets carried at fair value through profit or loss under PAS 39 continued to be classified as at fair value through profit or loss under PFRS 9.

The application of PFRS 9's impairment requirements at January 1, 2021 did not result in an additional allowance for impairment to the Company's financial assets. The Company has no transactions to which the hedge accounting requirements of PAS 39 and PFRS 9 apply.

## 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 are no investment contracts as at the reporting date.

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# Notes To Financial Statements

## Financial Instruments

***Initial Recognition***

Financial instruments are initially recognized on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

***Classification***

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include amortized cost, FVTOCI and FVTPL.

***a. Financial Assets Measured at Amortized Cost***

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are SPPI.

***b. Financial Assets Measured at FVTOCI***

A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL:

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

***c. Financial Assets measured at FVTPL***

This classification includes financial assets not classified as measured at amortized cost or FVTOCI are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces accounting mismatch that would otherwise arise.

Notes To Financial Statements

***Business Model Assessment***

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

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

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

***SPPI Test***

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/ discount). The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

# Notes To Financial Statements

*'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.

***Reclassification***
The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

***Subsequent Measurement and Gains and Losses***

• ***Financial assets at FVTPL*** – Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss;

• ***Financial assets at amortized cost*** – Measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss;

• ***Equity investments at OCI*** – Measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

***Impairment of Financial Assets at Amortized Cost***
The Company assesses the expected credit loss associated with its financial assets carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the general approach to providing for expected credit losses. The general expected credit loss model requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

Management considers amounts classified as debt instruments to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

## 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.

## 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.

# Notes To Financial Statements

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.

## Cash and Cash Equivalents

Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

## Refundable Deposits

Refundable 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.

## Property and Equipment

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.

Singlife

# Notes To Financial Statements

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 Company's office equipment have an expected useful life of three (3) years.

## Software Development Costs

Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use.

## Other Assets

***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.

***Input 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 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.

## Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount.

An impairment loss is recognized in profit or loss in the period in which it arises.

# Notes To Financial Statements

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. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years 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 Code and guidelines set by the 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.

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.

***Insurance Receivables***

Insurance receivables are recognized when due. These include amounts due from policyholders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

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# Notes To Financial Statements

### *Claims and Benefits 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 at 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 IBNR as at the reporting date. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of comprehensive income in later periods, when such revisions arise. Claims and benefits payable form 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.

### *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 spaces and 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 by the Company as low value. 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.

## Employee Benefits

### *Short-term Employee Benefits*

Salaries, wages, 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.

### *Other Long-term Employee Benefits*

Other long-term employee benefits are long-term incentives which vest after three years. These are measured on a discounted basis.

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# Notes To Financial Statements

*Pension Liabilities*
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. 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.

Service costs which include current service costs, past service costs, and gains or losses on nonroutine 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.

## 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 composed of common shares, determined using the par value of shares that have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects

*Accumulated Deficit*
Accumulated deficit represents accumulated losses, net of dividends declared, if any, of the Company.

*Remeasurement Loss on Pension Obligation*
This pertains to the cumulative amount of remeasurement of the pension liabilities arising from actuarial gains and losses due to experience and demographic assumptions.

# Notes To Financial Statements

## Revenue Recognition
The Company's revenue streams arising from insurance contracts falls under  PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15 Revenue from Contracts with Customers. The following specific 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 revenue on the date when the payments are due from policyholders.

***Interest Income***
For interest-bearing financial assets at FVTPL, receivables, cash and cash equivalents and short-term investments, interest income is recognized as it accrues  using the contractual interest rate.

***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 recognized in 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.

***Underwriting Expenses***
Underwriting expenses 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 profit or loss and other comprehensive loss as incurred.

Notes To Financial Statements

## 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 at 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.

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# Notes To Financial Statements

## 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.

## Foreign Currency Transactions and Translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at financial reporting date. Exchange gains or losses arising from these transactions and translations are credited or charged to profit or loss.

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

## 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.

## 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.

## 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.

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# Notes To Financial Statements

## New Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not applied the following new or revised and amended standards in preparing these financial statements. The Company is currently assessing the potential impact of these on its financial statements.

The Company will adopt the new standards and amendments to standards in the respective effective dates:

***To be Adopted January 1, 2022***

Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards of which these standards are relevant to the Company:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Singlife

# Notes To Financial Statements

***To be Adopted January 1, 2023***

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of a reporting period;

    - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

    - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non current.

- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

# Notes To Financial Statements

Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors), the amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) - e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying PFRS 9; and

  - choosing the inputs to be used when applying the chosen measurement technique - e.g. the expected cash outflows for determining a provision for warranty obligations when applying PAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

Singlife

# Notes To Financial Statements

***To be Adopted January 1, 2025***

- PFRS 17, Insurance Contracts, replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15 on or before the date of initial application of PFRS 17.

Singlife

# Notes To Financial Statements

## 24. Supplementary Information Required BIR RR No. 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information required for the taxable year ended December 31, 2021:

| A. Value-added Taxes (VAT) | |
|---|---|
| 1. Output VAT | P - |
| 2. Input VAT | |
| Beginning of the year | P3,606,978 |
| Current year's domestic purchases: | |
| a. Services lodged under other accounts | 10,570,990 |
| | P14,177,968 |

| B. Withholding Taxes | |
|---|---|
| Tax on compensation and benefits | P34,054,678 |
| Creditable withholding taxes | 5,970,194 |
| Final withholding taxes | 3,004,405 |
| | P43,029,277 |

| C. All Other Taxes (Local and National) | |
|---|---|
| **Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses** | |
| Duties and taxes | P3,023,316 |
| License and permit fees | 422,363 |
| Other taxes | 500 |
| | P3,446,179 |

**D. Tax Cases**

As of December 31, 2021, the Company has not received any final assessment notice from the BIR and no pending no tax assessment, tax case, litigation, and/or prosecution in courts or bodies outside the BIR.

# Audit & Non-Audit Fees

## Audit & Non-Audit Fees

For 2021, the Company engaged in the services of KPMG Philippines / R.G. Manabat & Co. as its external auditor. In 2021, the audit fees incurred amounted to Php 925,000.00 while the non-audit fees were Php 138,750.00. Non-audit fees incurred refer to out-of-pocket expenses of KPMG Philippines / R.G. Manabat & Co.

KPMG was selected to be the external auditor for the Singlife Group and has been appointed for a three (3) year period beginning 2021.