

SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION

Financial Statements December 31, 2021 and 2020 and Independent Auditor's Report

Sun Life Centre, 5th Ave. Cor. Rizal Drive
Bonifacio Global City, Taguig City

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Trustees and Members
SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]
Sun Life Center, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

We have audited the financial statements of Sun Life Investment Management and Trust Corporation (the "Company") as at December 31, 2021 and 2020, in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated March 11, 2022.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedule showing the reconciliation statement of the Company as at December 31, 2021, as required by the Bangko Sentral ng Pilipinas, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
BSP R. N. 004-BSP, issued on September 21, 2020, effective until September 21, 2024
TIN 005299331

By:

Nina J. Felismino

Nina Cecilia S. Felismino
Partner

CPA License No. 0103737

SEC A.N. 103737-SEC, issued on December 21, 2021, Group A, valid to audit 2021 to 2025 financial statements
TIN 218720328

BIR A.N. 08-002552-046-2019, issued on July 03, 2019; effective until July 02, 2022

BSP R. N. 103737-BSP, issued on March 26, 2020, effective until March 26, 2023

PTR No. A-5334281, issued on January 4, 2022, Taguig City

Taguig City, Philippines
March 11, 2022



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholders
SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]
Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life Investment Management and Trust Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2021 and period August 28, 2020 (date of incorporation with the Philippines Securities and Exchange Commission) to December 31, 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and period August 28, 2020 date of incorporation with the Philippines Securities and Exchange Commission) to December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required by Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits 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.

Navarro Amper & Co.

BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024

SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements

BSP R. N. 004-BSP, issued on September 21, 2020, effective until September 21, 2024

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Taguig City, Philippines

March 11, 2022



SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2021	2020
CURRENT ASSETS			
Cash in bank	6	P84,690,189	P300,712,597
Receivables	7	4,295,989	4,764
Other current assets	8	11,584,698	–
Total current assets		100,570,876	300,717,361
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income (FVOCI)	9	112,399,824	1,041,990
Property and equipment, net	10	69,575,636	4,296,384
Deferred tax assets, net	17	43,957,341	5,075,759
Security deposit	13	2,972,030	–
Retirement benefit asset	11	1,006,300	–
Total non-current assets		229,911,131	10,414,133
TOTAL ASSETS		P330,482,007	P311,131,494
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	12	P47,536,376	P7,349,857
Due to related parties	18	2,065,932	18,400,408
Lease liabilities	13	12,697,938	–
Total current liabilities		62,300,246	25,750,265
NON-CURRENT LIABILITIES			
Lease liabilities	13	50,913,643	–
Total liabilities		113,213,889	25,750,265
EQUITY			
Share capital	14	350,000,000	300,000,000
Deficit		(134,227,017)	(14,621,510)
Revaluation reserve on financial assets at FVOCI	9	(203,240)	2,730
Remeasurement gain on pension plan	11	1,698,375	–
Total equity		217,268,118	285,381,229
TOTAL LIABILITIES AND EQUITY		P330,482,007	P311,131,494

See accompanying Notes to Financial Statements.

SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]
STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31	
	Notes	2021	2020*
INCOME			
Trust income	18, 21	P21,088,569	P –
Interest income:			
Cash in banks	6	8,300	3,333,767
Financial assets at FVOCI	9	1,825,595	4,702
Financial assets at FVPL	15	531,390	–
Gain on sale of property and equipment	10	292,357	–
		23,746,211	3,338,469
EXPENSES			
Salaries and other employee benefits	16	114,915,287	10,962,027
Information technology-related services		24,024,849	–
Shared services	18	14,750,316	–
Depreciation	10	9,455,793	390,580
Professional fees		5,738,406	5,114,561
Outsourcing fees		3,524,393	
Supervisory fees	12	2,495,063	–
Taxes and licenses		2,396,327	267,588
Utilities		2,049,687	–
Interest expense from lease liability	13	1,220,039	–
Advertising expense		368,138	
Others		1,342,408	205,471
		182,280,706	16,940,227
LOSS BEFORE INCOME TAX		(158,534,495)	(13,601,758)
Benefit from income tax	17	38,928,979	4,408,547
NET LOSS FOR THE YEAR		(119,605,516)	(9,193,211)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Remeasurement gain (loss) on financial assets at fair value through other comprehensive income	9	(274,887)	3,900
Income tax effect on net changes in fair value of financial assets at fair value through other comprehensive income		68,917	(1,170)
<i>Item that will never be reclassified to profit or loss:</i>			
Remeasurement gain on retirement benefit plans	11	2,264,500	–
Income tax effect on remeasurement gain on retirement plan		(566,125)	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(P118,113,111)	(P9,190,481)

*Sun Life Investment Management and Trust Corporation was registered with the Securities and Exchange Commission on August 28, 2020.

See accompanying Notes to Financial Statements.

SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31

	Share capital (Note 14)	Deficit	Unrealized gain on financial assets at FVOCI (Note 9)	Remeasurement gain on retirement benefit plans (Note 11)	Total
Balances at August 28, 2020*	P –	P –	P –	P –	P –
Issuance of share capital	300,000,000	–	–	–	300,000,000
Cost of issuance of share capital (Note 14)	–	(5,428,290)	–	–	(5,428,290)
Total	300,000,000	(5,428,290)	–	–	294,571,710
Comprehensive income					
Net loss for the year	–	(9,193,211)	–	–	(9,193,211)
Other comprehensive income	–	–	2,730	–	2,730
Total comprehensive income (loss) for the year	–	(9,193,211)	2,730	–	(9,190,481)
Balances at December 31, 2020	P300,000,000	(P 14,621,501)	P2,730	–	P285,381,229
Issuance of share capital	50,000,000	–	–	–	50,000,000
Total	350,000,000	(14,621,501)	2,730	–	335,381,229
Comprehensive income					
Net loss for the year	–	(119,605,516)	–	–	(119,605,516)
Other comprehensive income (loss)	–	–	(205,970)	1,698,375	1,492,405
Total comprehensive income (loss) for the year	–	(119,605,516)	(205,970)	1,698,375	(118,113,111)
Balances at December 31, 2021	P350,000,000	(P134,227,017)	(P203,240)	P1,698,375	P217,268,118

*Sun Life Investment Management and Trust Corporation was registered with the Securities and Exchange Commission on August 28, 2020.

See accompanying Notes to Financial Statements.

SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	2021	2020*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P158,534,495)	(P13,601,758)
Adjustment for:			
Depreciation	10	9,455,793	390,580
Retirement benefit expense	11	2,706,700	–
Interest expenses on lease liability	13	1,220,039	–
Interest income	6, 9, 15	(2,365,285)	(3,338,469)
Gain on disposal of property and equipment	10	(292,357)	–
Operating loss before working capital changes		(147,809,605)	(16,549,647)
Changes in working capital:			
Increase in:			
Receivables		(4,131,942)	–
Other current assets		(8,418,274)	–
Increase (Decrease) in:			
Accounts payable and accrued expenses		40,186,519	7,349,857
Due to related parties		(11,647,512)	13,713,444
Cash from (used in) operations		(131,820,814)	4,513,654
Interest received		1,558,382	3,337,050
Interest expense paid	13	(1,220,039)	–
Retirement contributions paid	11	(1,448,500)	–
Income taxes paid		(3,616,235)	(668,382)
Net cash from (used in) operating activities		(136,547,206)	7,182,322
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property and equipment	10	(11,778,645)	–
Acquisition of financial assets at FVOCI	9	(111,516,491)	(1,041,435)
Acquisition of Financial Assets at FVPL	15	(179,468,610)	–
Proceeds from FVPL maturities	15	180,000,000	–
Proceeds from disposals of property and equipment		3,210,639	–
Payment of security deposit	13	(2,972,030)	–
Net cash used in investing activities		(122,525,137)	(1,041,435)
CASH FLOWS USED IN FINANCING ACTIVITY			
Actual lease payments	13	(6,950,065)	–
Net proceeds from issuance of share capital	14	50,000,000	294,571,710
Net cash from financing activities		43,049,935	294,571,710
NET INCREASE (DECREASE) IN CASH IN BANK		(216,022,408)	300,712,597
CASH IN BANK AT THE BEGINNING OF YEAR		300,712,597	–
CASH IN BANK AT END OF YEAR		P 84,690,189	P300,712,597

*Sun Life Investment Management and Trust Corporation was registered with the Securities and Exchange Commission on August 28, 2020.

See accompanying Notes to Financial Statements.

SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION
[A Wholly Owned Subsidiary of Sun Life Financial Philippine Holding Company, Inc.]

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021 AND 2020 AND FOR THE YEARS THEN ENDED

1. CORPORATE INFORMATION

Sun Life Investment Management and Trust Corporation (the "Company" or "SLIMTC") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 28, 2020 primarily to carry and engage in the business of trust, other fiduciary business and investment management activities, to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be had or done by trust corporations organized under and in accordance with Republic Act No. 8791 (The General Banking Law of 2000) and its implementing regulations as it exists or may be amended and to do all other things incidental thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). The corresponding Certificate of Authority to Operate was issued by the BSP to the Company on June 26, 2020.

The Company is a wholly-owned subsidiary of Sun Life Financial Philippine Holding Company, Inc., a holding company incorporated and with principal place of business in the Philippines.

The registered office address and principal place of business of the Company is at the 11/F Sun Life Centre, Block 16, Lot 1-A, Bonifacio South District, 5th Avenue cor. Rizal Drive, Bonifacio Global City, 1634 Taguig City.

Approval of financial statements

The financial statements of the Company were reviewed and endorsed by the Audit Committee for the approval of the Board of Directors on March 11, 2022. The Board of Directors approved the issuance of the financial statements also on March 11, 2022.

2. SUMMARY OF FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for:

- certain financial instruments measured at fair value; and
- the retirement plan asset recognized as the fair value of plan assets less the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded to the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2021

The Company adopted all accounting standards and interpretations as at December 31, 2021. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

PIC Q&A No. 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill.

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS

For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense (income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation

The interpretation is effective on or after January 29, 2021.

The management assessed that the CREATE Act has no impact in the income tax expense of the Company, as it is still exempt from MCIT. Further, there is no taxable income for 2021 as the Company is operating at loss.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2021

The future adoption of the following pronouncements will not have significant impact on the Company's financial statements as the Company does not issue insurance contracts, is not in the process of and has no plan to enter into business combination, has no and is not yet in the process of having investment in associate or joint venture, its property, plant and equipment do not produce selling items classified as inventories, and does not issue and enter into onerous contracts unless otherwise indicated:

- PFRS 17 — Insurance Contracts
- Amendments to PFRS 3, References to the Conceptual Framework
- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*
- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The impact of the future adoption of the following pronouncements is described below:

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

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Company is still evaluating the impact of the amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – Subsidiary as a first-time adopter

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have subsidiary as first-time adopter.

Amendments to PFRS 9 – Fees in the ‘10 percent’ test for derecognition of financial liabilities

The amendment clarifies that in applying the ‘10 percent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The future adoption of the amendments will have no effect on the Company’s financial statements as the Company does not have modification of financial liabilities.

Amendments to PFRS 16 – Lease Incentives

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to PAS 41 – Taxation in fair value measurements

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The future adoption of the amendments will have no effect on the Company’s financial statements as the Company does not have biological assets covered by PAS 41 that need to exclude its cash flows for taxation on its financial statements.

Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments are as follows:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The Company is still evaluating the impact of the amendments.

Amendments to PAS 8, Definition of Accounting Estimates

With the amendment, accounting estimates are now defined as “monetary amounts in financial statements that are subject to measurement uncertainty.”

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Company is still evaluating the impact of the amendments.

Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company is still evaluating the impact of the amendments.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9 – Comparative Information (Amendment to PFRS 17) is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9

The amendment is effective for annual periods beginning on or after January 1, 2025, as amended by the FRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Still subject to approval of the Board of Accountancy.

The future adoption of the amendment will have no effect on the Company's financial statements as the Company does not issue insurance contracts.

4. SIGNIFICANT ACCOUNTING POLICIES

Financial Instrument

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

Initial recognition

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets and financial liabilities, except for investments classified at fair value through profit or loss (FVPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVPL are recognized immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

Classification and subsequent measurement

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);
- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at fair value through profit or loss.
- However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (OCI) if it is neither held-for-trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies; and
- the Company may irrevocably designate a debt instrument that meets the amortized cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired (POCI) financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost.

For financial instruments other than POCI financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

These accounting policies on amortized cost apply to cash in bank, receivables, and security deposit.

Debt instruments classified as at FVOCI

Government issued bonds held by the Company are classified as at FVOCI. These bonds are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these bonds as a result of impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these government issued bonds had been measured at amortized cost.

All other changes in the carrying amount of these bonds are recognized in other comprehensive income and accumulated under the heading of revaluation reserve on financial assets at fair value through other comprehensive income. When these bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets

The Company recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost and financial assets at FVOCI.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

With the exception of POCI financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial

recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties;
- or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as follows:

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

Write-off

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVPL. Financial liabilities are classified as either financial liabilities 'at FVPL' or 'other financial liabilities'.

Since the company does not have financial liabilities classified at FVPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

The Company's financial liabilities classified under this category include accounts payable and accrued expenses, due to related parties, and lease liabilities.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Share Capital

Share Capital are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Deficit

Deficit represents accumulated loss attributable to equity holders of the Company after deducting dividends declared. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Property and equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises of:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the transportation equipment's estimated useful life of 3 years.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Company classifies its retirement benefit as defined benefit plan. Under the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in reserves under equity and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item "salaries and other employee benefits". Curtailment gains and losses are accounted for as past service costs.

The retirement plan asset recognized in the statements of financial position represents the actual surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date. Actual contributions to the fund are made on the first quarter year after the valuation.

Leases

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

Company as a lessee

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset. The right-of-use assets of the Company include office spaces which have estimated useful life and lease term of five (5) years. Right-of-use assets are classified under Property and equipment, net in the statements of financial position.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Revenue Recognition for Contracts with Customers

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset. The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time of transfer of control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the rate/price specified in the service agreement and is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

There are no warranties and other similar obligation and refunds agreed with customers.

Trust income

Trust income related to trust accounts and investment consultancy activities are recognized ratably over the period as the service is provided. The management fees are computed based on the assets under management (AUM) of the managed mutual funds while the consultancy fees are based on agreed fees. The performance obligation is satisfied over time, hence, the revenue is also recognized over time. For fees based on AUM, these are accrued daily while for other services such as advisory or consultancy, these are accrued on a monthly basis.

Revenue Recognition outside the scope of PFRS 15

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Gains or losses on disposal of assets

Gains or losses arising on the disposal of assets are determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized in profit or loss.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method. Costs and expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

Provisions

Provisions are recognized when: (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is more likely than not that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognized as interest expense.

Provisions are derecognized when the obligation is settled, cancelled or has expired.

Foreign Currency Transactions

Transactions of the Company in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period.

The Company presents the gains and losses arising from foreign currency transactions in profit or loss included the line item "other expenses".

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

Income tax expense represents the sum of current tax expense, deferred tax expense and final tax.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using 25% and 30% regular corporate income tax (RCIT) rate in 2021 and 2020, respectively.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the year

Current and deferred taxes are recognized as expense or income in profit or loss, except when these relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the taxes are also recognized outside profit or loss.

Events after the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The Company measures its financial assets at amortized cost or FVOCI if the financial asset qualifies for both SPPI and business model test. The Company's business model is to hold to collect and sell and hold the asset and to collect its cashflows which are SPPI. All other financial assets that do not meet the SPPI and business model test are measured as at FVPL.

Total financial assets measured at fair value through other comprehensive income amounted to P112,399,824 and P1,041,990 as at December 31, 2021 and 2020, respectively (Note 9).

As at December 31, 2021 and 2020, the Company's total financial assets measured at amortized cost amounted to P91,958,208 and P300,717,361, respectively, composed of cash in banks, receivables, and security deposit, as disclosed in Notes 6, 7, and 13, respectively.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 19.

As at December 31, 2021, the Company's financial asset at fair value through other comprehensive income and financial assets measured at amortized cost have not experienced a significant increase in its credit risk.

Models and assumptions used

The Company uses various models and assumptions in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Company's model and assumptions used in estimating ECL and measuring the fair value of financial assets are disclosed in Notes 19 and 20, respectively.

Key Sources of Estimation Uncertainty

The following are the Company's key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2021 and 2020, the Company assessed a nil PD for all of its financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.

The assumptions used by the Company estimating PD is disclosed in Note 19.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Company uses portfolio averages from external estimates sourced out from Standard and Poor's (S&P) as the LGD estimates. The categorization of LGD estimates per financial asset measured at amortized cost is disclosed in Note 19.

Estimating loss allowance for ECL

The measurement of the ECL allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 19 Credit Risk – ECL measurement, which also sets out the key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

As at December 31, 2021 and 2020, Management believes that the recoverability of the Company's receivables is certain, accordingly, no ECL was recognized, as disclosed in Note 19.

Estimating useful lives of assets

The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and intangible assets would increase the recognized operating expenses and decrease non-current assets.

The carrying amounts of the Company's property and equipment amounted to P69,575,636 and P4,296,384 as at December 31, 2021 and 2020, respectively while the total accumulated depreciation amounted to P9,204,725 and P390,580 as at December 31, 2021 and 2020, respectively (Note 10).

Asset impairment

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of property and equipment is based on future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2021 and 2020, Management believes that the recoverable amounts of the Company's property and equipment exceed their carrying amounts, accordingly, no impairment loss was recognized.

Deferred tax assets

The Company reviews the carrying amounts at the end of each reporting period, and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Total deferred tax assets recognized in the statements of financial position amounted to P44,542,826 and P5,076,929 as at December 31, 2021 and 2020, respectively (Note 17).

Post-employment and any other employee benefits

The determination of the retirement benefit obligation cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates and rates of compensation increase. Actual results that differ from the assumptions are directly charged to OCI and therefore, generally affect equity and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation and equity.

Retirement benefit expense and net defined benefit asset amounted to P2,706,700 and P1,006,300, respectively as at December 31, 2021 while these amounted to nil as at December 31, 2020 (Note 11).

The total plan assets represent the Company's share in the Sun Life Financial Group Retirement Plan's assets as at December 31, 2021 and 2020.

6. CASH IN BANK

The Company's cash in bank amounted to P84,690,189 and P300,712,597 as of December 31, 2021 and 2020, respectively. Cash in bank earn interest at annual rates ranging from 0.00% to 0.25% and 1.19% in 2021 and 2020, respectively. Interest income from cash in bank amounted to P8,300 and P3,333,767, as at December 31, 2021 and 2020, respectively, as presented in statements of comprehensive income.

7. RECEIVABLES

This account consists of:

	2021	2020
Trust fee receivables (Note 18)	P3,604,117	P –
Accrued interest receivable (Note 9)	164,047	4,764
Others	527,825	–
	P4,295,989	P4,764

Trust fee receivables pertain to receivables from the Company's investment management and investment consultancy services.

Other receivables pertain to receivables from fiduciary business for the payment of taxes payable.

8. OTHER CURRENT ASSETS

This account consists of:

	2021	2020
Prepayments		
Information technology-related services	P6,079,596	P -
Utilities	1,268,975	-
Office construction deposit	1,069,703	-
Prepaid tax	3,166,424	-
	P11,584,698	P -

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

This account consists of investments in treasury bonds amounting to P112,399,824 and P1,041,990 as at December 31, 2021 and 2020, respectively.

The movements in financial assets at FVOCI are summarized as follows:

	2021	2020
Balance, beginning	P 1,041,990	P -
Additions	111,516,491	1,041,435
Amortization of premiums - net	116,230	(3,345)
Changes in fair value recognized in equity	(274,887)	3,900
Balance, ending	P112,399,824	P1,041,990

The government securities are all maturing after 12 months from the reporting date.

These securities bear interest rates ranging from 2.38% to 4.38% in 2021 and 4.38% in 2020. Interest income from financial assets at FVOCI reported in profit or loss amounted to P1,825,595 and P4,702 in 2021 and 2020. Accrued interest receivable from these securities amounted to P164,047 and P4,764 in 2021 and 2020, respectively, as disclosed in Note 7.

The treasury bonds are considered eligible government securities deposited with BSP.

In accordance with BSP Circular No. 884, otherwise known as the Guideline on the Establishment and Operation of Trust Corporations (TC), the Company is required to deposit with BSP eligible government securities as security for the faithful performance of trust and other fiduciary duties and investment management activities equivalent to 0.05% of the total book value of the Assets Under Management (AUM). Provided, that at no time shall the basic security deposit (BSD) be less than P500,000. Further, after the first year of operation, the BSD shall be based on the trust rating of the most recent report of examination of the TC, as shown in the table below:

Trust Rating	Required BSD
4	₱500,000 or 0.03% of the total book value of the AUM, whichever is higher.
3	₱500,000 or 0.05% of the total book value of the AUM, whichever is higher.
2	₱500,000 or 0.10% of the total book value of the AUM, whichever is higher.
1	₱500,000 or 0.20% of the total book value of the AUM, whichever is higher.

The Company shall not withdraw, transfer or replace such securities without prior written approval of BSP.

As at December 31, 2021, the Company has complied with this requirement.

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

	2021	2020
Balance at the beginning of the year	P 2,730	P –
Fair value changes recognized in OCI	(274,887)	3,900
Tax effect	68,917	(1,170)
Net change during the year	(205,970)	2,730
Balance at the end of the year	(P203,240)	P2,730

10. PROPERTY AND EQUIPMENT, net

The composition of and movements in the account are as follows:

	Transportation Equipment	Right-of- Use Assets (Note 13)	Total
Cost			
At August 28, 2020	P –	P –	P –
Additions (Note 18)	4,686,964	–	4,686,964
December 31, 2020	4,686,964	–	4,686,964
Additions	7,091,681	70,561,646	77,653,327
Disposals	(3,559,930)	–	(3,559,930)
December 31, 2021	8,218,715	70,561,646	78,780,361
Accumulated depreciation			
At August 28, 2020	P –	P –	P –
Depreciation	390,580	–	390,580
December 31, 2020	390,580	–	390,580
Depreciation	2,583,167	6,872,626	9,455,793
Disposals	(641,648)	–	(641,648)
December 31, 2021	2,332,099	6,872,626	9,204,725
Carrying amounts, December 31, 2020	P4,296,384	P –	P 4,296,384
Carrying amounts, December 31, 2021	P5,886,616	P63,689,020	P69,575,636

In 2021, the Company sold its transportation equipment with carrying amount of P2,918,282 for P3,210,639. Accordingly, the Company recognized gain on disposal amounting to P292,357, as presented in statements of comprehensive income.

On July 2021, the Company purchased vehicles from SLOCPI amounting to P2,591,681, as disclosed in Note 18. All additions to transportation equipment during 2021 are paid in full.

Management believes that there is no indication that an impairment loss has occurred on the Company's property and equipment as at December 31, 2021 and 2020.

11. RETIREMENT BENEFITS

Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of (60) years or more, but not beyond sixty-five (65) years which is declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Company is compliant with the minimum requirement of RA 7641 as at December 31, 2021.

The Company is a participant to the Sun Life of Canada (Philippines), Inc. (SLOCPI) Multi-Employer Employees' Retirement Plan (the "Retirement Plan"), a funded and non-contributory defined benefit retirement plan covering substantially all of its qualified employees. The other participants to the Retirement Plan are Sun Life Financial Asia Services Limited (ROHQ), SLOCPI and Sun Life Asset Management Company Inc. (SLAMCI).

Under the plan, the employees, who are 50 years old and with at least 10 years of credited service or who are 65 years old, are entitled to a lump sum post-retirement benefit amounting to 50% to 200% of average monthly salary during the last three years immediately preceding the month of termination or a minimum benefit under the labor code, whichever is higher.

The retirement plan typically exposes the participants to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2021 by Towers Watson, an independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2021	2020
Discount rate	5.00%	3.75%
Expected rates of salary increases	6%	6%
Average age in years	38.11	41.14
Average future working life in years	12.70	12

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2021	2020
Pension expense		
Current service cost	P 2,733,900	P -
Net interest	(27,200)	-
Components of defined benefit costs recognized in profit or loss	2,706,700	-
Remeasurement on the net defined benefit liability		
Loss on plan assets (excluding amounts included in the net interest expense)	350,900	-
Actuarial gains and losses from:		
- changes in financial assumptions	(10,943,000)	-
- experience adjustments	8,327,600	-
Components of defined benefit costs recognized in other comprehensive income	(2,264,500)	P -
	P 442,200	P -

The amount included in the statements of financial position arising from the Company's obligations with respect to its defined benefit obligation is as follows:

	2021	2020
Fair value of plan assets	P53,156,100	P19,588,400
Present value of defined benefit obligation	(52,149,800)	(19,588,400)
	P 1,006,300	P -

The movements in the present value of defined benefit obligation are summarized as follows:

	2021	2020
Beginning	P19,588,400	P -
Current service costs	2,733,900	-
Interest cost	725,200	-
Benefit payments	(286,800)	-
Transfers	32,004,500	19,588,400
Remeasurement losses (gains):		
- changes in demographic assumptions	-	-
- changes in financial assumptions	(10,943,000)	-
- experience adjustments	8,327,600	-
Ending	P52,149,800	P19,588,400

The movements in plan assets are summarized as follows:

	2021	2020
Beginning	P19,588,400	P -
Benefit payments	(286,800)	-
Interest income	752,400	-
Contributions	1,448,500	-
Transfers	32,004,500	19,588,400
Remeasurement loss on plan assets	(350,900)	-
Ending	P53,156,100	P19,588,400

Fair value of plan assets represents the Company's share in Sun Life Philippines Group Retirement Plan's assets as at December 31, 2021. The assets of the Retirement Plan were allocated to the participating companies by taking into consideration actual contribution and benefit payments during the year.

The transfer of defined benefit obligation and plan assets refers to the pension of the transferred employees from the SLOCPI to the Company effective 2021.

The defined benefit plans are administered by a Retirement Plan Trustee that is legally separated from the entity. The appointed Retirement Trustee is responsible for the general administration and management of the Retirement Fund.

The movements in remeasurement gains on defined benefit obligation recognized in OCI are as follows:

	2021
At January 1, gross of tax	P -
Remeasurement gains	2,264,500
At December 31, gross of tax	2,264,500
Income tax effect	(566,125)
At December 31, net of tax	P1,698,375

The analysis of the fair value of allocated plan assets at December 31, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	P 302,990	P 64,642
Debt securities	11,226,568	4,501,414
Equity securities	2,742,855	1,175,304
Real estate	39,191,992	14,103,648
Others	(308,305)	(256,608)
Ending	P53,156,100	P19,588,400

The Company has no other transactions with the plan other than the contributions presented above for the years ended December 31, 2021 and 2020. The Company expects to contribute P6,960,600 to the retirement fund in 2022.

Discount rate

The risk-free discount rate shall be used for all cash flows to determine the defined benefit obligation.

Future salary rate increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of

the general inflationary increases. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions on the defined benefit obligation as of the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption	Amount	
		2021	2020
Discount rate	1% increase	(P7,024,578)	(P2,378,032)
	1% decrease	8,531,707	2,906,919
Expected salary growth rate	1% increase	7,853,760	2,685,570
	1% decrease	(6,643,885)	(2,262,460)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Asset-Liability Matching Strategies are set and reviewed from time to time by the plan trustees by taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

There has been no change in the process used to manage its risks from prior periods.

The projected maturity analysis of retirement benefit payments as at December 31 follows:

	2021
Less than a year	P 1,759,200
Between 1 to 5 years	9,698,300
Between 5 to 10 years	18,460,300

The average duration of the benefit obligation for active employees is 15.26 years and 13.68 years as of December 31, 2021 and 2020, respectively.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The details of the Company's accounts payable and accrued expenses are as follows:

	2021	2020
Accrued:		
Sick leave and vacation leave	P34,149,154	P3,682,943
Professional fees	2,128,600	2,764,729
Supervisory fees	2,495,063	-
Other employee benefits	1,489,656	-
Taxes payable	4,731,426	902,185
Outsourcing fees	1,420,298	-
Others	1,122,179	-
	P47,536,376	P7,349,857

Taxes payable include withholding taxes payable, fringe benefit tax payable, and gross receipts tax payable.

Others include other allowances, employee-related expenses, and other subscriptions.

13. LEASE LIABILITIES

Company as Lessee

The Company entered into a lease agreement with SLOCPI. This lease covers the use of office premises at 11th Floor Sun Life Centre 5th Avenue corner Rizal Drive Bonifacio Global City, Taguig City for five (5) years commencing on July 01, 2021 and terminating on June 30, 2026, with annual escalation of 5.00%. The lessor offered two months of free rent from July to August 2021 and required an advance rental amounting to P3,328,673 to be applied as rental payment on the last three months of the lease term of the contract. The advance rental was considered in the initial cost of the right-of-use assets.

Set out below are the Company's right-of-use assets and lease liabilities and the movements during the period:

	2021	
	Right-of-use assets	Lease liabilities
Balance at beginning of year	P -	P -
Additions	70,561,646	67,232,973
Depreciation	(6,872,626)	-
Interest expense	-	1,220,039
Principal payments	-	(4,841,431)
Balance at end of year	P63,689,020	P63,611,581

Total lease liabilities in the statement of financial position follow:

	2021
Current	P12,697,938
Noncurrent	50,913,643
	P63,611,581

Set out below are the amounts recognized in the statement of comprehensive income for the period ended:

	2021
Depreciation expense from right-of-use assets	P6,872,626
Interest expense on lease liabilities	1,220,039
	P8,092,665

The future minimum lease commitments under operating lease are as follows as of December 31, 2021:

	2021
Within one year	P14,887,389
After one year but not more than three years	49,279,167
More than three years	4,781,160
	68,947,716
Less: Unearned Interest	5,336,135
	P63,611,581

Security Deposit

This represents cash paid in advance to lessor equivalent to three (3) months' rent which shall be refunded at the end of the lease term. Security deposit amounted to P2,972,030 as at December 31, 2021.

14. EQUITY

Share Capital

The table below summarizes the share capital of the Company:

	2021		2020	
	Shares	Amount	Shares	Amount
Ordinary shares -P100 par value				
Authorized	12,000,000	P1,200,000,000	12,000,000	P1,200,000,000
Issued and outstanding	3,500,000	350,000,000	3,000,000	300,000,000

In 2021, additional share capital amounting to P50,000,000 were issued. Fully paid ordinary shares, which have a par value of P100 carry one vote per share and carry a right to dividend.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong capital ratio in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. It may issue new shares and issue call options to existing shareholders. The Company considers total equity as its capital.

The Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. The ratio is calculated as total debt divided by equity. The Company's capital includes share capital and retained earnings.

	2021	2020
Total liabilities*	P108,482,463	P24,848,080
Total equity	217,268,118	285,381,229
Debt-to-equity ratio	0.50	0.09

* *excluding taxes payable*

Management believes that the above ratios are within the acceptable range.

In accordance with BSP Circular No. 884, the Company is required to have a minimum unimpaired combined capital account of P300,000,000 or 0.10% of the total book value of its asset under management (AUM), whichever is higher. Upon incorporation, the Company may have an initial minimum paid-in capital of P100,000,000 and shall be allowed to build-up capital over a period of 5 years. The minimum paid-in capital after 5 years shall be at least P300,000,000.

Further, the minimum capital during the capital build-up phase shall be determined as follows:

Calendar Year	Capital Requirement
Year 0 - Upon incorporation	P100 million
End of Year 1	P140 million or 0.10% of AUM whichever is higher
End of Year 2	P180 million or 0.10% of AUM whichever is higher
End of Year 3	P220 million or 0.10% of AUM whichever is higher
End of Year 4	P260 million or 0.10% of AUM whichever is higher
End of Year 5 and onwards	P300 million or 0.10% of AUM whichever is higher

The AUM, for this purpose, shall be computed based on the average of the quarter-end balance of AUM for the calendar year (Note 21).

As of December 31, 2021 and 2020, the Company has complied with this requirement.

Cost of issuance of capital stock

In 2021, the Company incurred documentary stamp taxes amounting to P500,000, as presented in statements of comprehensive income under "taxes and licenses".

In 2020, the Company incurred documentary stamp taxes and SEC registration fees amounting to P3,000,000 and P2,428,290, respectively, which were charged directly to equity.

15. INTEREST INCOME ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's interest income on financial asset at FVPL amounted to P531,390 in 2021, as presented in statements of comprehensive income.

The total financial asset designated as at FVPL amounting to P179,468,610 were purchased during the year. The Company received a total of P180,000,000 when such assets matured on the same year.

16. SALARIES AND OTHER EMPLOYEE BENEFITS

The details of salaries and other employee benefits charged to profit or loss are as follows:

	2020	2020
Salaries and wages	P 99,225,590	P10,920,914
Variable compensation	10,220,336	-
Pension expense (Note 11)	2,706,700	-
Trainings and employee activities	1,943,402	-
Other employee benefits	819,259	41,113
	P114,915,287	P10,962,027

Other employee benefits include mandatory employer government contributions and other allowances.

17. INCOME TAXES

Benefit from income tax consists of:

	2021	2020
Final tax	P449,811	P668,382
Deferred	(39,378,790)	(5,076,929)
	(P38,928,979)	(P4,408,547)

Reconciliation between the statutory income tax and the effective income tax follows:

	2021	2020
Loss before income tax	(P158,534,495)	(P13,601,758)
Income tax at statutory tax rate at 25% in 2021 and 30% in 2020	(39,633,624)	(4,080,527)
Tax effect of:		
Interest income subject to final tax	(141,510)	(333,159)
Non-deductible expense	-	5,139
Effects of changes in tax rates and laws on deferred taxes	846,155	-
Benefit from income tax	(P38,928,979)	(P4,408,547)

On March 26, 2021, the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based.

Among others, the Act includes the following significant revisions:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate;
2. Minimum corporate income tax (MCIT) rate is reduced to from 2% to 1% from July 1, 2020 to June 30, 2023;
3. Percentage tax for non-VAT taxpayers is reduced from 3% to 1% from July 1, 2020 to June 30, 2023; and
4. Repeal of the improperly accumulated earnings tax

The tax rate used in the reconciliations above is the corporate tax rate of 25% in 2021 and 30% in 2020.

The Company's deferred income tax at December 31, 2021 and 2020 consists of:

	2021	2020
Deferred income tax assets on:		
Net operating loss carry over (NOLCO)	P34,490,778	P3,142,628
Accrued expenses	9,669,751	1,934,301
Net Pension	314,550	-
*Unrealized loss from financial assets at FVOCI	67,747	-
	P44,542,826	P5,076,929
Deferred income tax liabilities on:		
Leases	19,360	-
*Remeasurement gain on defined benefit obligation	566,125	-
*Unrealized gain from financial assets at FVOCI	-	1,710
Deferred tax assets, net	P43,957,341	P5,075,759
<i>* charged directly to OCI</i>		

Pursuant to Section 4 COVID-19 Response and Recovery Interventions paragraph (bbbb) of Republic Act No. 11494 also known as "Bayanihan to Recover As One Act" and to RR No. 25-2020 of Bureau of Internal Revenue, the NOLCO incurred by the Company for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO covered by Revenue Regulation (RR) No. 25-2020 is as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Addition	Expired	2021 Balance
2020	2025	P -	P10,475,425	P -	P10,475,425
2021	2026	10,475,425	P127,487,686	-	P137,963,111

The Company believes that there will be sufficient future taxable income to which the benefits of DTA will be utilized.

The movements in deferred income tax account at December 31 are summarized as follows:

	2021	2020
Beginning balance	P5,075,759	P -
Amounts credited to profit or loss	39,378,790	5,076,929
Amounts charged to other comprehensive income	(497,208)	(1,170)
Ending balance	P43,957,341	P5,075,759

18. RELATED PARTY TRANSACTIONS

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence (referred to as affiliates). Related parties include subsidiaries, affiliates, directors, officers & shareholders (DOS), close family members of DOS, related interests, and any person or juridical entity whose interests may pose potential conflict with the interest of the Company.

The summary of the Company's transactions and outstanding balances with related parties as at and for the year ended December 31, 2021 is as follows:

Entities	Financial Statement Account	Transactions for the year	Outstanding balances	Nature / Terms and conditions	Note / Ref
Parent Company					
Sun Life Financial Philippine Holding Co., Inc.	Due to related parties	P562,374	(P562,374)	Reimbursable expenses - Unsecured - Non-interest bearing	a
Entity under common control					
Sun Life of Canada (Philippines), Inc.	Due to related parties	13,545,872	(299,114)	Shared services - Unsecured - Non-interest bearing	b
		2,591,681	-	Purchase of vehicles - Unsecured Non-interest bearing	d
		3,210,639	-	Sale of vehicles - Unsecured - Non-interest bearing	10
		32,004,500	-	Transfer of pension liability - Unsecured - Non-interest bearing	11
	Right-of-use assets		63,689,020		13, e
	Security deposit		2,972,030		13, f
	Lease liabilities		63,611,581		13, g
	Depreciation expense – ROU Assets	6,872,626			13, h
	Interest expense from lease liability	1,220,039			13, i
	Trust fee receivables	5,133,333	850,000	Trust fee receivables for consultancy services provided	j
Sun Life Asset Management Company, Inc.	Trust fee receivables	15,955,236	2,754,117	Trust fee receivables for investment management services provided.	k
Sun Life India Service Centre Private limited (ASCI)	Due to related parties	1,204,444	(1,204,444)	Intercompany service agreement - Unsecured - Non-interest bearing	l
TOTAL	Trust fee receivables		P3,604,117		Note 7
	Due to related parties		2,065,932		

The summary of the Company's transactions and outstanding balances with related parties as at and for the year ended December 31, 2020 is as follows:

Entities	Financial Statement Account	Transactions for the year	Outstanding balances	Nature / Terms and conditions	Note / Ref
Parent Company Sun Life Financial Philippine Holding Co., Inc.	Due to related parties	P7,862,311	(P7,862,311)	Reimbursable expenses - Unsecured - Non-interest bearing	a
Entity under common control Sun Life of Canada (Philippines), Inc.	Due to related parties	5,851,133	(5,851,133)	Shared services - Unsecured - Non-interest bearing	b
		4,686,964	(4,686,964)	Purchase of vehicles - Unsecured - Non-interest bearing	c
		19,588,400	-	Transfer of pension liability - Unsecured - Non-interest bearing	11

- a. Reimbursable expenses pertain to expenses paid by related parties on behalf of the Company. Transactions with related parties are settled every month in cash.
- b. In 2021, the Company entered into a Shared Service Agreement for back-office services to be provided by SLOCPI.
- c. On October 2020, the Company purchased vehicles from SLOCPI amounting to P4,686,964, as disclosed in Note 10. These were paid by the Company in 2021.
- d. On July 2021, the Company purchased vehicles from SLOCPI amounting to P2,591,681.
- e. Capitalized leases on the Company's office spaces with lease contract term of five (5) years and with annual escalation of 5.00%.
- f. The security deposit represents cash paid in advance to lessor equivalent to three (3) months' rent which shall be refunded at the end of the lease term.
- g. Obligation from capitalized leases with a term of five years and interest rate of 3.78%.
- h. This pertains to the depreciation of the capitalized right-of-use assets.
- i. This pertains to the interest expense from lease liabilities.
- j. In 2021, the Company entered into a Consultancy Agreement to perform certain investment consultancy services with SLOCPI. Trust income earned from such agreement amounted to P5,133,333. Trust fee receivables from SLOCPI amounted to P850, 000, as disclosed in Note 7.
- k. The Company has an Investment Management Agreement with SLAMCI. Assets managed for SLAMCI amounted to P52,645,868,379. The management fees are charged at 0.04% or 0.08% of the assets under management (AUM) of the managed mutual funds. Trust income earned from such agreement amounted to P15,955,236. Trust fee receivables from SLAMCI amounted to P2,754,117, as disclosed in Note 7.

- i. In 2021, the Company entered into an Intercompany Service Agreement for advisory services to be provided by ASCI. As of December 31, 2021, the outstanding balance due to ASCI amounted to P1,204,444.

Remuneration of Key Management Personnel

The remuneration of the key management personnel of the Company is set out below in aggregate categories.

	2021	2020
Short-term benefits	P61,174,681	P12,975,550
Post-employment benefits	1,442,977	-
	P62,617,658	P12,975,550

Significant Information on the Retirement Plan

The Company has a funded retirement plan for its employees maintained with a trustee bank. The details of the fund are disclosed in Note 11.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, which includes interest rate, foreign exchange risk and equity price risk, credit risk and liquidity risk. Management exerts best efforts to anticipate events that would negatively affect the value of the Company's assets and takes appropriate actions to counter these risks. However, there is no guarantee that the strategies will work as intended. The policies for managing specific risks are summarized below.

Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to the impact on the trust fees. This is from the change in the market value of the assets under management, which are affected by the changes in the interest rates of the fixed income securities held by the Company in fiduciary or agency capacity. The Company manages this risk by actively monitoring the prevailing interest rate environment.

The duration of the portfolio is reduced during periods of rising rates and widening credit spreads to maximize interest income potential. Conversely, the same is increased during periods of falling interest rates and narrowing credit spreads.

A sensitivity analysis for a 96 basis points increase or a 78 basis points decrease in the interest rate of the fixed income securities within the assets under management. This represents the Management's assessment of the reasonably possible change in interest rates. If the interest rates have been 96 basis points higher or 78 basis points lower and all other variables are held constant, the Company's profit for 2021 would have increased by P3,203 or decreased by P3,922.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changes due to changes in currency exchange rate. The Company undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arose. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The table below summarizes the Company's exposure to currency risks of financial instruments as of December 31, 2021 and 2020:

	2021		2020	
	US\$	PHP	US\$	PHP
Cash in bank	\$32,098	P1,636,989	\$-	P-

In translating foreign currency-denominated financial instruments into Philippine peso amounts, the exchange rate used was P50.999 to US\$1.00.

The following table shows the sensitivity to a reasonably possible change in U.S. dollar exchange rate, with all other variables held constant, of the Company's income before tax as of December 31, 2021 and 2020:

Change in foreign exchange rates	Impact on income before tax	
	2021	2020
+1%	P21,845	P -
-1%	(21,845)	(-)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults, and transacts only with entities that are rated with equivalent of investment grade of "High" down to "Satisfactory". This information is supplied by independent rating agencies, when available. If the information is not available, the Company uses other publicly available financial information and its own trading records to rate its major counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The maximum exposure to credit risks for the Company's financial assets is limited to the carrying value as of December 31, 2021 and 2020. The Company does not have any collateral or other credit enhancements for its financial assets.

ECL measurement

In 2021 and 2020, ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Stage 1	The counterparty has a low risk of default and does not have any past-due amounts or that the financial instrument is not credit-impaired on initial recognition	12m ECL
Stage 2	There has been a significant increase in credit risk since initial recognition but not yet deemed to be credit-impaired	Lifetime ECL - not credit-impaired
Stage 3	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery or that the financial instrument is credit-impaired	Lifetime ECL - credit-impaired

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The ECL is determined by projecting the PD, LGD and exposure at default (EAD) for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Given that the Company currently has no history of default on their portfolio, a model which incorporates internal default experience is not feasible. For the 12M and Lifetime PD, the Company uses external benchmarking of current internal credit ratings to S&P's using one-year transition matrices in S&P's Annual Global Corporate Default Study and Rating Transition reports. From the transition matrices, cumulative PDs are identified. The overall PD for a specific time horizon is calculated from the cumulative PD, by determining the marginal PD and taking the conditional PD given that it has not yet defaulted prior to the said time horizon. The resulting overall PDs are the values that will act as components in ECL calculation.

The table below summarizes the current internal credit rating equivalence system of the Company.

Summary rating	Internal credit rating	S&P rating
High	AAA	AAA
High	AA	AA- to AA+
High	A	A- to A+
High	BBB	BBB- to BBB+
Satisfactory	BB	BB- to B+
Acceptable	B	B- to B+
Low	CCC/C	CCC- to CCC+

The 12M and lifetime EADs are determined based on the contractual repayments owed by the borrower over the 12month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. The Company does not have an undrawn component for any of its debt instruments.

For the 12M and lifetime LGDs, considering the availability of related information, the Company use the external estimates sourced from S&P's. The table below summarized the LGD value for each category of financial assets at amortized costs.

Category	LGD value
Senior Unsecured Notes	48.00%

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Company assessed that the key economic variable is unemployment rates.

This economic variable and its associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on the economic data from the International Monetary Fund (IMF) from year 2022 until 2026. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

In addition to the base economic scenario, the best value economically spanning from the historical years is taken (upside forecasts). A similar approach applies for the downside forecasts. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The per-scenario Forward Looking Adjustments were assigned probability weights of 70% for the base scenario and 15% for each of the upside and downside forecast in 2021 while 50% and 25, respectively, in 2020.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The following table details the credit quality of the Company's financial assets and other items, as well as the Company's maximum credit exposure to credit risk by credit risk rating grades as at December 31:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
2021							
Cash in banks	6	AAA	Stage 1	12m ECL	P 84,690,189	P -	P84,690,189
Receivables	7	AAA	Stage 1	12m ECL	4,295,989	-	4,295,989
Security deposits	13	AAA	Stage 1	12m ECL	2,972,030	-	2,972,030
Financial assets at FVOCI	9	AAA	Stage 1	12m ECL	112,399,824	-	112,399,824
					P204,358,032	P -	P204,358,032
2020							
Cash in banks	6	AAA	Stage 1	12m ECL	P300,712,597	P -	P300,712,597
Accrued interest receivable	7	AAA	Stage 1	12m ECL	4,764	-	4,764
Financial assets at FVOCI	9	AAA	Stage 1	12m ECL	1,041,990	-	1,041,990
					P301,759,351	P -	P301,759,351

Cash in banks and receivables are considered as high-grade credit as these are receivables from corporate counterparties that are subject to the Company's rules that provide adequate remedies to the Company's credit exposures. Receivables or investments in institutions that are not top-tier corporations are considered as standard grade.

As at December 31, 2021 and 2020, Management believes that the Company's cash, receivables and financial assets at FVOCI are fully recoverable. Accordingly, no allowance for credit loss was recognized in both years.

Liquidity risk

The Company aims to maintain an appropriate level of liquidity which means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, whilst not having excessive liquidity.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company maintains adequate highly liquid assets in the form of cash in bank to assure necessary liquidity.

The tables below summarize the maturity profile of financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations.

	2021		
	Due within 1 year	Due beyond 1 year	Total
Financial Assets			
Cash in banks	P84,690,189	P –	P84,690,189
Receivables	4,295,989	–	4,295,989
Financial assets at FVOCI	–	112,399,824	112,399,824
Security deposits	–	2,972,030	2,972,030
	P88,986,178	P115,371,854	P204,358,032
Financial Liabilities			
Accounts payable and accrued expenses*	P42,804,950	P –	P42,804,950
Due to related parties	2,065,932	–	2,065,932
Lease liabilities	12,697,938	50,913,643	63,611,581
	P57,568,820	P50,913,643	P108,482,463
	2020		
	Due within 1 year	Due beyond 1 year	Total
Financial Assets			
Cash in banks	P300,712,597	P –	P300,712,597
Receivables	4,764	–	4,764
Financial assets at FVOCI	43,750	1,047,396	1,091,146
	P300,761,111	P1,047,396	P301,808,507
Financial Liabilities			
Accounts payable and accrued expenses*	P 6,447,672	P –	P 6,447,672
Due to related parties	18,400,408	–	18,400,408
	P 24,848,080	P –	P 24,848,080

* excluding taxes payable

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Fair value is the price that would be received to sell an asset or paid to transfer in orderly transaction between market participants at the measurement date, regardless

of whether the price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table gives information about how the fair values of the Company's assets and liabilities, which are measured at fair value at the end of each reporting period.

	Level 1	Total
December 31, 2021		
Financial Assets		
Financial assets at FVOCI	P112,399,824	P112,399,824
December 31, 2020		
Financial Assets		
Financial assets at FVOCI	P1,041,990	P1,041,990

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements for the years ended December 31, 2021 and 2020.

The carrying amounts of cash in bank, receivables, due from related parties, security deposits, accounts payable and accrued expenses (excluding taxes payable), due to related parties, and lease liabilities approximate their fair values. As such, their fair values were determined using Level 3 of the fair value hierarchy.

21. TRUST OPERATIONS

Assets under management of the Company in fiduciary or agency capacity for clients and beneficiaries amounting to P52,645,868,379 as of December 31, 2021 are not included in the accompanying statements of financial position, since these are not assets of the Company.

Of the total FVOCI amounting to P112,399,824, P32,842,036 were earmarked in compliance with the requirements of the BSP relative to its operations.

Trust fee income amounted to P21,088,569 in 2021.

22. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1075

The supplementary information is presented for BSP reporting purposes and is not required in the basic financial statements.

BSP Circular No. 1075

The Monetary Board (MB), in its Resolution No. 48 dated January 8, 2020 approved the amendments to the relevant provisions of the manual of regulations for non-bank financial institutions prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements. Subsection 4190T.4 was further amended to include in the Notes to Financial Statements supplementary information as prescribed under Annex Q33-c of Appendix Q-33.

Below is the additional information required by BSP Circular No. 1075:

a. Basic quantitative indicators of financial performance:

	2021	2020
Return on average equity ⁽¹⁾	(47.59%)	(2.93%)
Return on average assets ⁽²⁾	(37.28%)	(3.19%)
Percentage of trust fees to total assets under management ⁽³⁾	0.03%	N/A

(1) Net loss divided by average total equity of the Company. Average total equity is based on the average of beginning and ending balances.

(2) Net loss divided by average total assets. Average total assets is based on the average of beginning and ending balances.

(3) Total trust fees divided by total assets under management

b. Total outstanding investment, loans and other credit accommodations to the Company's DOSRI and related parties with name of DOSRI/related parties, and breakdown, if applicable, as to (i) security (secured, including type of security; and unsecured) and (ii) status (performing and non-performing)

None to report.

c. Large exposures as defined under Section 4303T.

None to report.

d. Nature and amount of contingencies and commitments arising from off-balance sheet items

None to report.

e. Aggregate amount of secured liabilities and assets pledged as security.

None to report.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

The following information on taxes and license fees paid or accrued during the 2021 taxable year is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Withholding taxes

Withholding taxes paid and accrued and/or withheld consist of:

	Paid	Accrued	Total
Expanded withholding taxes	P 2,251,335	P 683,892	P 2,935,227
Withholding tax on compensation and benefits	18,767,841	2,917,344	21,685,185
Fringe benefits withholding taxes	711,255	247,599	958,854
Final withholding taxes	15,260	15,491	30,751
Withholding Value-Added Tax and Other Percentage Taxes	24,416	24,786	49,202
	P21,770,107	P3,889,112	P25,659,219

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued during 2021 are as follows:

Charged to Operating Expenses	
Fringe benefit tax	P 958,854
Gross receipts tax	882,140
Documentary stamp tax	500,000
Local Business tax	54,833
BIR annual fee	500
	P2,396,327

Deficiency tax assessments and tax cases

The Company does not have outstanding tax assessments.