

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

S	U	N	L	I	F	E	F	I	N	A	N	C	I	A	L	P	L	A	N	S	,	I	N	C	.

Principal Office (No./Street/Barangay/City/Town)Province)

2	N	D	F	L	R	.	S	U	N	L	I	F	E	C	E	N	T	R	E						
5	T	H	A	V	E	N	U	E		C	O	R	.	R	I	Z	A	L	D	R	I	V	E		
B	O	N	I	F	A	C	I	O		G	L	O	B	A	L	C	I	T	Y						
T	A	G	U	I	G		C	I	T	Y															

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

5	5	5	-	8	8	8	8
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Mobile Number

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No. of Stockholders

6

Annual Meeting
Month/Day

every last Friday of May

Fiscal Year
Month/Day

1	2	3	1
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CONTACT PERSON INFORMATION

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

Name of Contact Person

Roselle L. Lustre

Email Address

rlust@sunlife.com

Telephone Number/s

555-8888

Mobile Number

--

Contact Person's Address

2nd Flr Sun Life Centre Bldg 5th Avenue cor. Rizal Drive Bonifacio Global City Taguig City
--

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

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



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of Sun Life Financial Plans, Inc. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2017 and 2016. The financial statements have been prepared in conformity with rules and regulations of the Insurance Commission on accounting and reflect amounts that are based on the best estimates and informed judgment of Management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Management likewise discloses to the Company's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Navarro Amper & Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of the presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

A handwritten signature in cursive script that reads "Lucy Chou".

CHIA-LING CHOU aka LUCY CHOU
Chairman of the Board

A handwritten signature in cursive script that reads "Alexander S. Narciso".

ALEXANDER S. NARCISO
President

A handwritten signature in cursive script that reads "Sherwin S. Sampang".

SHERWIN S. SAMPANG
Treasurer

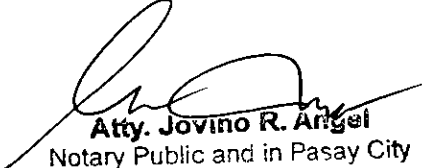
Signed this 6th day of March, 2018

Subscribed and sworn to before me, a Notary Public for and in **PASAY CITY**, this **MAR 23 2018** day of _____ 2018

at ~~PASAY CITY~~ by affiants, who personally exhibiting as proof of their identity the following competent evidence of identification:

<u>Name</u>	<u>Competent Evidence of Identity</u>
Chia- Ling Chou aka Lucy Chou	Passport No.KJ0310193 09-24-13/China
Alexander S. Narciso	Passport No.EC4560877 07-01-15/Manila
Sherwin S. Sampang	Passport No.EC2995703 12-16-14/Manila

Doc. No. 199
Page No. 10
Book No. XII
Series of 2018


Atty. Jovino R. Angel
Notary Public and in Pasay City
Notarial Commission 17-08
Until December 31, 2018
PTR No. 5626093 / IBP No. 1062667
Both issued in Pasay City on Jan. 03. 2018
MCLE Compliance No. V-0024151/10-25 18
Roll of Attorney's No. 28761



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of Sun Life Financial Plans, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the accounting standards set forth in the amended Securities and Exchange Commission (SEC) Rule 31, Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts (PNUCA), as required by the rules and regulations of the SEC and adopted by the Insurance Commission (IC), 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in cursive script that reads "Lucy Chou".

CHIA-LING CHOU aka LUCY CHOU
Chairman of the Board

A handwritten signature in cursive script that reads "Alexander S. Narciso".

ALEXANDER S. NARCISO
PresidentA handwritten signature in cursive script that reads "Sherwin S. Sampang".

SHERWIN S. SAMPANG
Treasurer

Signed this 6th day of March, 2018

To The Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

We have audited the financial statements of Sun Life Financial Plans, Inc. (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated March 6, 2018. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The applicable information in the attached annual report of the Company for the year then ended December 31, 2017, required by the Insurance Commission, is presented for purposes of additional analysis and is not a required part of the basic financial statements, and in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-3745362, issued on January 5, 2018, Taguig City

Taguig City, Philippines
March 6, 2018

BUREAU OF INTERNAL REVENUE LARGE TAXPAYERS SERVICE LARGE TAXPAYERS ASSISTANCE DIVISION		
Date	APR 13 2018	TSIS
MELINA PRISCAS. RANJO		



SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

The Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Gentlemen:

We have examined the financial statements of Sun Life Financial Plans, Inc. as at and for the year ended December 31, 2017, on which we have rendered the attached report dated March 6, 2018.

In compliance with SRC Rule 68, we are stating that the said Company has only one (1) shareholder owning more than one hundred (100) or more shares.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
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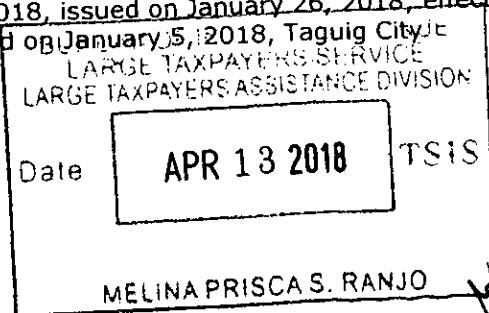
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PTR No. A-3745362, issued on January 5, 2018, Taguig City

Taguig City, Philippines
March 6, 2018



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, 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 Financial Plans, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

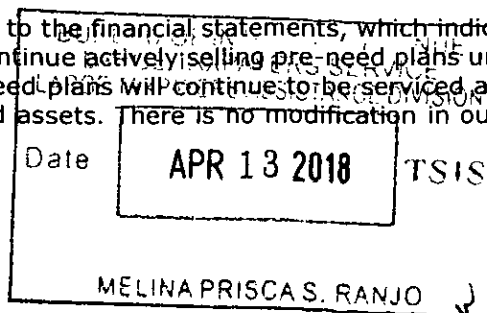
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the accounting standards set forth in the amended Securities and Exchange Commission (SEC) Rule 31, Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts (PNUCA), as required by the rules and regulations of the SEC and adopted by the Insurance Commission (IC).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicated that the Company has decided to temporarily discontinue actively selling pre-need plans until the market environment improves. All existing pre-need plans will continue to be serviced and supported until maturity by the Company's trust fund assets. There is no modification in our opinion as a result of this going concern.



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 the accounting standards set forth in the amended SEC Rule 31, Accounting Standards for Pre-need Plans and PNUCA, as required by the rules and regulations of SEC and adopted by the IC, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

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

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

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

RECEIVED
DATE
LARGE TAXPAYERS SERVICE
ADVICE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2010
MELINA PRISCA S. RANJO



Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the 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 34 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 audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.

BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018

SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A

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TIN 005299331

By:



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Partner

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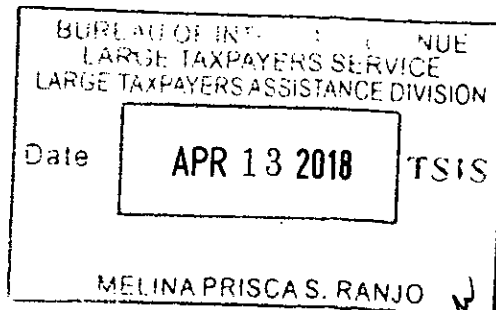
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021

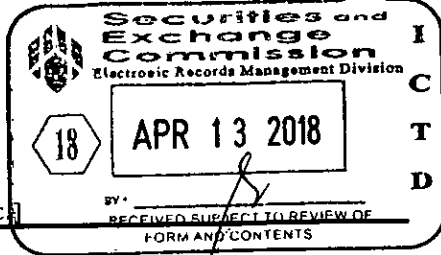
BSP R. N. CPCD2-201711-0409_D9-L, issued on September 5, 2017, effective until September 5, 2020

PTR No. A-3745362, issued on January 5, 2018, Taguig City

Taguig City, Philippines

March 6, 2018





SUN LIFE FINANCIAL PLANS, INC.
 [A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF FINANCIAL POSITION

December 31

	Notes	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	7	P 224,062,369	P 95,854,430
Receivables	8	3,780,706	141,766,364
Prepayments and other current assets - net	9	273,296	165,096
Total Current Assets		228,116,371	237,785,890
Non-current Assets			
Trust funds	11	6,761,882,112	7,703,135,716
Available-for-sale financial assets	10	271,720,976	282,591,715
Computer software - net	12	10,740,565	16,344,236
Total Non-Current Assets		7,044,343,653	8,002,071,667
		P7,272,460,024	P8,239,857,557
LIABILITIES AND EQUITY			
Current Liabilities			
Benefits payable	13	P 80,002,373	P 73,258,969
Accrued expenses and other liabilities	13	6,592,803	5,409,470
Counselors' bond reserve	14	6,995,648	6,976,311
Payable to parent company	15	3,240,776	3,635,460
Total Current Liabilities		96,831,600	89,280,210
Non-current Liabilities			
Pre-need reserves	11, 16	6,467,317,386	7,196,501,011
Other reserves	17	23,713,066	-
Planholders' deposits	18	24,904,066	23,647,104
Total Non-Current Liabilities		6,515,934,518	7,220,148,115
		6,612,766,118	7,309,428,325
Equity			
Share capital	19	125,000,000	125,000,000
Additional paid-in capital	20	375,000,000	375,000,000
Contributed surplus	21	25,000,000	25,000,000
Investment revaluation reserves	22	694,950,130	1,016,089,704
Deficit		(5,990,046,648)	(5,637,748,149)
Accumulated trust fund income	11	5,429,790,424	5,027,087,677
		659,693,906	930,429,232
		P7,272,460,024	P8,239,857,557

See Notes to Financial Statements.

DATE OF PREPARED BY
 LARGE TAXPAYERS SERVICE UNIT
 LARGE TAXPAYERS ASSISTANCE DIVISION
 Date APR 13 2018 TSIS
 MELINA PRISCAS. RANJO



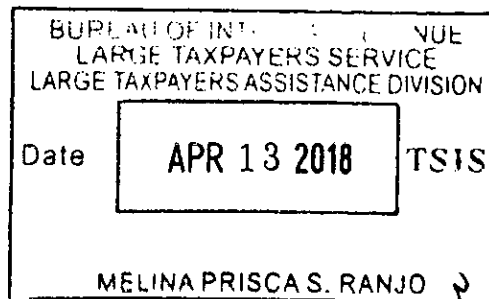
SUN LIFE FINANCIAL PLANS, INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF COMPREHENSIVE INCOME**For the Years Ended December 31**

	Notes	2017	2016
Revenues			
Premium revenue	23	P 132,049,733	P150,841,677
Trust fund income - net	11	402,702,747	400,930,368
Investment income	27	16,916,614	16,709,095
Decrease in pre-need reserves - net	24	705,378,760	271,554,690
Other income	28	2,595,296	4,706,093
		1,259,643,150	844,741,923
Expenses			
Other direct costs and expenses	25	1,172,378,205	962,639,067
General and administrative expenses	26	33,082,015	32,404,045
		1,205,460,220	995,043,112
Income (Loss) Before Tax		54,182,930	(150,301,189)
Income Tax Expense	29	3,778,682	3,717,454
Net Income (Loss) for the Year		50,404,248	(154,018,643)
Item that will be reclassified			
subsequently to profit or loss			
Fair value loss on			
available-for-sale financial assets	22	(321,139,574)	(319,012,644)
Total Comprehensive Loss		(P 270,735,326)	(P473,031,287)

See Notes to Financial Statements.



SUN LIFE FINANCIAL PLANS, INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

	Notes	Share Capital		Total Share Capital	Additional Paid-in Capital	Contributed Surplus	Investment Revaluation Reserves	Deficit	Accumulated Trust Fund Income	Total
		Ordinary	Preference							
Balance, January 1, 2016	11, 19, 20, 21, 22	P75,000,000	P50,000,000	P125,000,000	P375,000,000	P25,000,000	P1,335,102,348	(P5,082,799,138)	P4,626,157,309	P1,403,460,519
Loss for the year		-	-	-	-	-	-	-	-	-
Trust fund income - net		-	-	-	-	-	-	(554,949,011)	-	(554,949,011)
Other comprehensive loss	22	-	-	-	-	-	-	-	400,930,368	400,930,368
Total comprehensive income (loss)		-	-	-	-	-	(319,012,644)	-	-	(319,012,644)
Balance, December 31, 2016	11, 19, 20, 21, 22	75,000,000	50,000,000	125,000,000	375,000,000	25,000,000	(319,012,644)	(554,949,011)	400,930,368	(473,031,287)
Loss for the year		-	-	-	-	-	-	-	-	-
Trust fund income - net		-	-	-	-	-	-	(352,298,499)	-	(352,298,499)
Other comprehensive loss	22	-	-	-	-	-	-	-	402,702,747	402,702,747
Total comprehensive income (loss)		-	-	-	-	-	(321,139,574)	-	-	(321,139,574)
Balance, December 31, 2017	11, 19, 20, 21, 22	P75,000,000	P50,000,000	P125,000,000	P375,000,000	P25,000,000	P 694,950,130	(P5,990,046,648)	P5,429,790,424	P 659,693,906

See Notes to Financial Statements.

BUREAU OF TREASURY AND TAXATION
 LARAYAN TRUSTEES SERVICE
 TARGET MARKET ASSISTANCE DIVISION
 APR 13 2018
 TSIS
 MELINA RISCAS. RANJO



SUN LIFE FINANCIAL PLANS, INC.

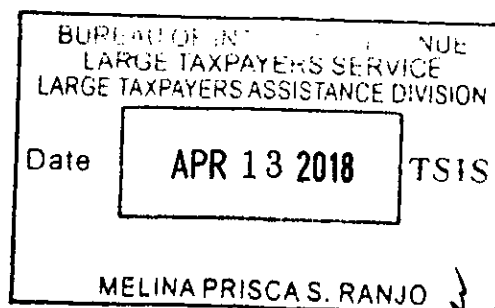
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	Notes	2017	2016
Cash Flows from Operating Activities			
Income (Loss) before tax		P 54,182,930	(P150,301,189)
Adjustments for:			
Other reserves	17	23,713,066	(94,807,401)
Amortization of premium - net	10	1,976,765	1,878,622
Amortization of computer software	26	5,603,776	466,978
Additional allowance for non-recoverable prepaid taxes	26	591,907	381,021
Trust fund income	11	(402,702,747)	(400,930,368)
Pre-need reserves	16	(729,183,625)	(176,853,775)
Investment income	27	(16,916,614)	(16,709,095)
Reversal of stale checks and unidentified bank credits	28	-	(697,909)
Operating cash outflows before working capital changes		(1,062,734,542)	(837,573,116)
Decrease (Increase) in:			
Receivables		137,994,606	127,293,579
Prepayments and other current assets		(700,214)	(5,929,208)
Increase (Decrease) in:			
Benefits payable		6,743,406	17,911,556
Counselors' bond reserve		19,337	(14,921)
Planholders' deposits		1,256,962	(1,912,217)
Accrued expenses and other liabilities		1,183,335	(2,713,523)
Payable to parent company		(394,684)	(2,107,318)
Cash used in operations		(916,631,794)	(705,045,168)
Income taxes paid	29	(3,778,682)	(3,717,454)
Net cash used in operating activities		(920,410,476)	(708,762,622)
Cash Flows from Investing Activities			
Investment income received		16,907,666	16,719,345
Trust fund contributions	11	(167,797,781)	(175,772,780)
Withdrawals from trust fund	11	1,199,508,532	843,737,032
Net cash generated from investing activities		1,048,618,417	684,683,597
Net Increase (Decrease) in Cash and Cash Equivalents		128,207,941	(24,079,025)
Cash and Cash Equivalents, Beginning		95,854,430	119,933,455
Cash and Cash Equivalents, Ending	7	P 224,062,369	P 95,854,430

See Notes to Financial Statements.



SUN LIFE FINANCIAL PLANS, INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

Sun Life Financial Plans, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on September 18, 2000 and started commercial operations on June 1, 2001. Its primary purpose is to engage mainly in the development of lawful institutional medium for the maintenance, conduct, operation, marketing and sales of any and all types of securities (without acting as stock broker) including, but not limited to education plans, pension plans, retirement income or retirement plans and life plans, with all the requisite services and facilities, merchandise, equipment or articles essential or relevant to such securities and services to be delivered in the future to planholders, enrollees, purchasers, and subscribers.

The Company is a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI). SLOCPI, a wholly owned subsidiary of Sun Life of Canada (Netherlands) B.V., is a stock life insurance company authorized to engage in, conduct, transact, carry on and undertake the business of life insurance, including accident and health insurance. The Company's ultimate parent company is Sun Life Financial, Inc., a company incorporated under the laws of Canada.

The Company's registered office address and principal place of business is at the 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

Status of Operations

On March 1, 2010, the Company decided to temporarily discontinue actively selling pre-need plans until the pre-need market environment improves. All existing pre-need plans will continue to be serviced and supported until maturity by the Company's trust fund assets. As disclosed in Note 11, the Company's trust fund net assets amounting to P6,761,882,112 are more than the required Pre-need Reserves (PNR) of P6,467,317,386 as at December 31, 2017, as shown in Note 16.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the accounting standards set forth in the amended SEC Rule 31, Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts (PNUCA), as required by the rules and regulations of the SEC and adopted by the Insurance Commission (IC).

Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for the investments in debt and equity securities carried at fair value, certain financial instruments carried at amortized cost, and pre-need reserves carried at present value of expected funding required to settle pre-need benefits guaranteed and payable by the Company.

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

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MELINA PRISCA S. RANJO
INSURANCE DIVISION
TSIS

Functional and Presentation Currency

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

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2017

The following relevant new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the Financial Reporting Standards Council (FRSC) in the Philippines were adopted by the Company effective on January 1, 2017.

Amendments to PAS 7, Disclosure Initiative

The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments require that liabilities arising from financing activities are disclosed, among others:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates; and
- changes in fair values.

Liabilities arising from financing activities is defined as the cash flows, or future cash flows, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is not required.

Finally, changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments did not have an impact on the Company's financial statements as the Company does not enter in any debt financing.

Amendments to PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments did not have an impact on the Company's financial statements as the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.



Annual Improvements to PFRSs 2014-2017 Cycle

Amendments to PFRS 12, Disclosure of Interests in Other Entities

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The application of the amendments did not have any impact on the Company's financial statements as the Company is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment *entity*.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2017

Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 includes:

- a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
- b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
 - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
 - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Management does not anticipate that the application of the amendments in the future will have significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangement with tax authorities in relation to share based payments.

Amendments to PFRS 4, Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and



- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

Management anticipate that the amendments are not applicable as the Company do not have any existing insurance contracts.

PFRS 9, Financial Instruments (2014)

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.



Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The adoption of the standard will result in recognition of equity securities recognized as available for sale financial assets to be measured at fair value with fair value changes taken to profit or loss, unless management will take the irrevocable option to take fair value changes to other comprehensive income. Financial instruments designated as fair value hedge and/or cash flow hedge and debt securities will continue to be measured at fair value and amortized cost, respectively, as at the end of the reporting period. Also, the application of the expected credit loss model will result in earlier recognition of credit losses and will increase the loss allowance recognized for financial assets.

PFRS 15, Revenue from Contracts with Customers

The standard combines, enhances, and replaces specific guidance on recognizing revenue with single standards. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

Management does not anticipate that the application of the new accounting standard will have a significant impact on the financial statements as the Company does not have complex revenue transactions.

Amendments to PFRS 15, Clarifications to PFRS 15

The amendments in the standard addresses three topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts.

- Added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- Clarification on how to assess control in determining whether a party providing goods or services is a principal or an agent.



- Clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

Management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

PIC Q&A No. 2016-04 — Application of PFRS 15, "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The interpretation is effective on the same date as the effective date of PFRS 15, *Revenue from contracts with customers*.

Management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not sell any residential properties.

PFRS 16, Leases

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted only if PFRS 15, *Revenue from Contracts with Customers*, is also adopted.

Management does not anticipate that the application of the new accounting standard will have an impact on the financial statements as the Company do not have any existing lease agreements.

Annual Improvements to PFRSs 2014-2017 Cycle

The annual improvements address the following issues:

Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.



Amendments to PAS 28, *Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Management does not anticipate that the application of the amendments in the future will have any impact on the financial statements as the Company is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

Amendments to PAS 40, *Investment Property – Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Management does not anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should there be a change in use of any of its properties.

Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Management does not anticipate that the application of the amendments in the future will have an impact on the financial statements as the Company has no foreign currency transactions.

The Company will adopt the following once became effective.

PFRS 9, *Prepayment Features with Negative Compensation*

The amendments include:

Changes regarding symmetric prepayment options

Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.



Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities.

The final amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

Management does not anticipate that the application of the amendments in the future will have an impact on the financial statements.

PAS 28, Long-term Interests in Associates and Joint Ventures

The amendments are:

Clarification that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management does not anticipate that the application of the amendments in the future will have an impact on the financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Management does not anticipate that the application of the amendments in the future will have an impact on the financial statements.



4. PRE-NEED RULES

The SEC, prior to the IC assuming regulatory supervision to the pre-need industry, has provided the rules and regulations of the PNUCA, including the guidelines in determining reserves on liabilities on pre-need contracts. The Company adopted Pre-need Rule 31, As Amended: Accounting Standards for Pre-need Plans and PNUCA, and the subsequent amendments effective January 1, 2007 and April 20, 2007, respectively. The following are the significant provisions of these guidelines:

- a. The net asset value in the trust fund shall be at least equal to the required Pre-need Reserves (PNR) computed pursuant to the method prescribed by the SEC.
- b. PNR shall be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts.
- c. Unless the SEC shall so specifically require, a company may at its option set up other provisions as a prudent measure.
- d. Premiums from sale of pre-need plans shall be recognized as earned when collected. When premiums are recognized as income, the related cost of contracts shall be computed, with the result that benefits and expenses are matched with such income.
- e. The amount of restricted/appropriated and unrestricted/unappropriated retained earnings shall be separately presented in the statements of changes in equity. However, no appropriation of the retained earnings shall be made by the Company unless the same is approved by the SEC or allowed in the Pre-need Rules.
- f. In recognizing PNR, the general requirements of PAS 37, *Provision, Contingent Liabilities and Contingent Assets*, on provisioning and the specific methodology provided shall be complied with. The amount recognized as a provision to cover the PNR shall be the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.
- g. Since the effect of the time value of money for pre-need plans is material, the amount of provision shall be the present value of the funding expected to be required to settle the obligation with due consideration of different probabilities.
- h. Future events that may affect the foregoing amounts shall be reflected in the amount of the provision for PNR where there is sufficient objective evidence that they will occur.
- i. Any pre-need company which adopts the foregoing reserving method shall discuss in its notes to financial statements its concrete plan on the sourcing of funds to cover its committed augmentation of the difference between the hurdle and attainable rates, during the periods when it used hurdle rates in the computation of its reserving requirements.
- j. The rates of surrender, cancellation, reinstatement, utilization, and inflation, when applied, must consider the actual experience of the pre-need company in the last three (3) years, or the industry, in the absence of a reliable company experience.
- k. The computation of the foregoing assumptions shall be validated by the internal qualified actuary of the pre-need company. His or her validation report shall be provided to its external auditors for purposes of statutory audit of the financial statements of the Company, and shall be submitted to the IC as a separate report.
- l. The probability of pre-termination or surrender of fully paid plans shall be considered in determining the PNR of fully paid plans. A pre-termination experience on fully paid plans of 5% and below shall be considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date.
- m. The disclosure requirements under PAS 1 relative to methods and assumptions used to estimate the PNR including the sensitivity of the PNR amount shall be complied with.



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

5. SIGNIFICANT ACCOUNTING POLICIES

Financial Assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for any investments classified at FVTPL. Investments are recognized and derecognized on settlement date accounting when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets are AFS financial assets and loans and receivables as at December 31, 2017 and 2016.

Held-to-maturity investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Available-for-sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL. Listed shares and listed redeemable notes classified as AFS financial assets are carried at fair value. Gains and losses arising from changes in fair value are recognized in investment revaluation reserves with the exception of impairment losses and interest calculated using the effective interest method, which are recognized directly in profit or loss.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method, except for short-term receivables when the effect of discounting is immaterial. The Company's financial assets, including those from its trust funds, classified under this category include cash and cash equivalents, receivables from a trustee bank, accrued interest income and other assets.

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. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period.



Reclassification of held-to-maturity to available-for-sale

A financial asset classified as HTM may be reclassified to AFS if the Company disposed of more than an insignificant amount or the Company has changed its intention to hold the rest of its HTM portfolio until maturity. As a consequence, when the Company has sold or reclassified more than an insignificant amount of HTM investments before maturity, i.e., tainting of the HTM portfolio occurs, all of the Company's HTM investments must be reclassified into the AFS category. Tainting is the term used to describe the effect of disposing of or reclassifying an HTM investment before its maturity date in situations where such disposal or reclassification disqualifies the Company from using the HTM classification for the remaining portfolio of securities held.

On reclassification out of HTM into AFS category, as a consequence of tainting, investments are remeasured at fair value. The difference between the carrying amount of the assets and their fair value is recognized in investment revaluation reserves. Furthermore, the Company is prohibited from classifying any investments as HTM for the next two (2) financial years.

When the two-year period subsequent to the period in which tainting occurred has passed, the Company is allowed to reclassify the assets back into HTM provided it intends, and is able to hold these assets to maturity. On the date of reclassification, an asset's carrying amount (i.e., its fair value at the date of reclassification) becomes the asset's new amortized cost. Any previous fair value gain or loss on the asset that has been accumulated in equity is amortized in profit or loss over the remaining life of financial asset using the effective interest method.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period in the portfolio, as well as observable changes in national or local economic conditions that correlate with the default on receivables.



Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables and HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss, with the exception of receivables wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Available-for-sale (AFS) financial assets

When a decline in the fair value of listed shares and listed redeemable notes classified as AFS financial asset has been recognized in investment revaluation reserves and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been previously recognized in investment revaluation reserves are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in investment revaluation reserves.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the carrying amount of financial assets net of any gains and losses previously accumulated in equity and the consideration received or receivable is recognized in profit or loss.

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.



Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current asset when the cost of services related to the prepayments are expected to be incurred within one (1) year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Intangible Assets

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization is computed on the straight-line method based on the estimated useful life of three (3) years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company's intangible asset represents capitalized computer software.

Impairment of Intangible Assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the intangible 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. 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 or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit 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. A reversal of an impairment loss is recognized as income.

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 equity instrument.

Financial liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, except for any debt instruments classified at FVPTL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Company's financial liabilities, including those from its trust funds, consist of accrued expenses and other liabilities, counselors' bond reserve, planholders' deposit and payable to parent company.

Subsequent measurement

Since the Company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or 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.



Ordinary shares

Ordinary shares 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.

Preference shares

Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Company's shareholders.

Preference shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Non-discretionary dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional paid-in capital

Additional paid-in capital is classified as equity and refers to the amount received by the Company for subscription of shares in excess of par value of the shares.

Contributed surplus

Contributed surplus refers to the amount raised by the Company in the form of capital infusion without issuance of shares.

Deficit

Deficit represents accumulated losses. Deficit may also include effect of changes in accounting policy as may be required by the standard's traditional provisions.

Provisions and Contingent Liabilities

Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of cash flows estimated to settle the present obligation.

When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provisions should be reversed.

Contingent liabilities

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.



Pre-need Reserves (PNR)

PNR are calculated on the basis of the methodology and assumptions set out below:

- a. The formula, methods and assumptions used for the valuation of reserves are based on the SEC Notice dated April 20, 2007, and subsequent SEC Interpretative Bulletin No. 1, Series of 2008 on its implementation. These may be different from the reserve formula, methods and assumptions used in the computation of actuarial reserve submitted to the SEC upon the application for product approval or upon the application for revisions to be done on existing products subsequently approved by the SEC.
- b. PNR is set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts.
- c. In recognizing PNR for educational and pension plans, the general requirements of PAS 37 on provisioning and the specific methodology are complied with by the Company.
- d. The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision.
- e. Since the effect of the time value of money for pre-need plans is material, the amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities, as follows:
 - i. On Currently-Being-Paid Plans
 1. Provision for termination values applying the surrender rate experience of the Company.
 2. Liability is set-up for the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company. It is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions discounted using the appropriate discount rate.

Currently-Being-Paid Plans pertain to accounts that are up-to-date in payment and include in-force plans as defined in the contract provision, i.e., plans within the 60-day grace period.
 - ii. On Lapsed Plans within the Allowable Reinstatement Period
Provision for termination values applying the reinstatement experience of the Company.
 - iii. Fully Paid Plans
The reserve is the present value of future maturity benefits discounted using the appropriate discount rate.
- f. The actual experience of the Company in the last three (3) years is considered in the application of rates (surrender, cancellation, reinstatement, utilization, and inflation).
- g. The actuary validated the actuarial assumptions used in reserve valuation.
- h. No pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans.
- i. Any excess in the amount of the trust fund as a result of the initial adoption of the revised reserving method is not released from the fund nor credited/offset to future required contributions.
- j. Individual subsidiary accounts for education plans and pension plans are maintained.



- k. To effect a smooth transition in the valuation of reserves for old basket of plans, the IC through its Circular Letter (CL) No. 23-2012, prescribed a Transitory Pre-Need Reserves (TPNR) in 2012. A maximum period of ten (10) years shall be observed in the implementation of the TPNR.

For each of the pre-need plan categories, namely, education, pension and life plans, the TPNR shall be computed annually on all old baskets of plans outstanding on the 31st of December of each year from 2012 to 2021 using the discount interest rates as provided by the IC in its CL. If the actual trust fund balance is higher or equal to the resulting pre-need reserve, then the liability to be set-up shall be the PNR. However, if the resulting pre-need reserve is greater than the actual trust fund balance at the end of the year, the TPNR shall be computed in accordance with the schedule provided by the IC.

The TPNR liability based on the schedule provided by the IC shall be recognized and booked each year. The trust fund deficiency shall be funded by the pre-need company within (60) days from April 30 following the valuation date.

Other Reserves

Other reserves are set-up as a prudent measure at the option of the Company. It is the excess between the Actuarial Reserve Liability (ARL) and the PNR. The ARL is computed based on generally accepted actuarial principles.

ARL is the measure of liabilities for its in-force plans or lapsed plans as of valuation date.

Revenue Recognition

Premium revenue

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

The amount of premium installments collectible from the planholders is not recognized as receivables in accordance with Pre-Need Rule 31, As Amended: Accounting Standards for Pre-need Plans and PNUCA adopted by the Company on January 1, 2007.

Trust fund income

Trust fund income is recognized when earned and is recognized net of management fees and taxes. This income is restricted to payments of benefits as provided in the pre-need plan contracts.

Investment income

Investment 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. Investment income is recognized in profit or loss as it accrues, taking into account the effective yield of the assets or liability or an applicable floating rate. Interest income and expense include the amortization of any discount or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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.



Realized gains or losses

Realized gains or losses on the sale of AFS financial assets are calculated as the difference between the net sales proceeds and the carrying value net of any gains and losses previously accumulated in equity. This is recognized in profit or loss when sales transaction occurred.

Other income

Other income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the income can be measured reliably. Other income includes handling fees, interest on lapsed plan, amendment fees, and miscellaneous income.

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: (i) a direct association between the costs incurred and the earning of specific items of income; or (ii) 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 (iii) 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 function of expense method. Cost of contracts issued and other direct costs and expenses are expenses that are associated with the plans sold, and includes the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year, amount of trust fund contribution for the year, increase in other reserves and documentary stamp tax and SEC registration fees. General and administrative expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

Fair Value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 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.



Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Parent 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 and final tax.

Current tax

The current tax expense is composed of the regular corporate income tax (RCIT), the minimum corporate income tax (MCIT) and final tax. The RCIT and MCIT are based on taxable profit for the year which may differ from net profit or gross 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 RCIT is calculated using 30% of net taxable income and MCIT at 2% of gross income and the tax due for the year is the higher of the RCIT or MCIT.

Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks, special savings deposits and fixed-income securities.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

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



For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to PAS 12 is not rebutted. As a result, the Group has not recognized any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

Events After the Reporting Period

The Company identifies events after the end of the 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.

6. CRITICAL ACCOUNTING JUDGMENTS 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 Judgment in Applying Accounting Policies

Below is a critical judgment, apart from those involving estimations that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Management in making economic decisions.



Key Sources of Estimation Uncertainty

The following are the 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.

Estimating useful life of asset

The useful life of the Company's computer software is estimated based on the period over which the asset is expected to be available for use. The estimated useful life of computer software is reviewed periodically and is updated if expectation differ from previous estimate due to technical or commercial obsolescence and legal or other limits on the use of the Company's asset. In addition, the estimation of the useful life 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 the 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 life of computer software would increase the recognized general and administrative expenses and decrease non-current assets.

The carrying amounts of the Company's computer software amounted to P10,740,565 and P16,344,236 as at December 31, 2017 and 2016, respectively, as disclosed in Note 12.

Asset impairment

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

Determining the recoverable amount of prepaid taxes and intangible assets, using 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 its prepaid taxes and intangible assets 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 impairment charges.

The accumulated impairment loss on prepaid taxes amounted to P18,269,021 and P17,677,114 as at December 31, 2017 and 2016, respectively, since Management believes that no tax benefit can be recovered in the future on these prepaid taxes, as disclosed in Note 9.

Management believes that there are no indications of impairment on its computer software as at December 31, 2017.

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are reevaluated and adjusted as additional information received impacts the amounts estimated.



The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at December 31, 2017 and 2016, Management believes that its receivables are fully recoverable; accordingly, no doubtful accounts expense was recognized in both years.

Receivables from a trustee bank as at December 31, 2017 and 2016 amounted to nil and P138,686,941, respectively, as disclosed in Note 8.

Deferred tax assets

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

As at December 31, 2017 and 2016, deferred tax asset on net operating loss carry-over (NOLCO) amounting to P424,834,217 and P465,041,169, respectively, was not recognized in the statements of financial position because Management believes it is more likely that the Company will not be able to realize the tax benefit arising from NOLCO, as disclosed in Note 29.

Determining fair value of financial instruments

The Company carries its AFS financial assets, including those from its trust funds, at fair value. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., quoted price or interpolated yields derived from benchmark rates, the amount of changes in fair value would differ if the Company utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect equity.

As at December 31, 2017 and 2016, the carrying amounts of AFS financial assets amounted to P271,720,976 and P282,591,715, respectively, as disclosed in Note 10 while the related fair value adjustments amounted to net loss of P8,893,974 and net gain of P3,738,260 in 2017 and 2016, respectively, as disclosed in Note 10.

As at December 31, 2017 and 2016, the carrying amounts of fixed income securities in its investments in trust funds amounted to P6,146,926,514 and P7,034,797,643, respectively, as disclosed in Note 11 while the related loss on fair value adjustments amounted to P241,888,484 and P252,261,258 in 2017 and 2016, respectively, as disclosed in Note 22.

Estimating PNR and other reserves

PNR and other reserves are set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need education and pension plan contracts. By definition, it is an estimation of the Company's present obligation to its planholders at a particular valuation date, and considers the value of future plan benefits and the contribution to reserves in the calculation. The Company is guided by existing regulatory rules/circulars and generally accepted actuarial principles in the calculation of PNR and other reserves. It uses assumptions based on Company's experience. These actuarial assumptions include interest rate, surrender and lapse rate, reinstatement rate and other assumptions necessary to estimate the reserve requirements. The valuation data file includes inforce, paid up and lapsed plans. Calculations are done per planholder; a reinstatement rate assumption is used to determine the reserves for lapsed plans.

The carrying amount of PNR as at December 31, 2017 and 2016 amounted to P6,467,317,386 and P7,196,501,011, respectively, as disclosed in Notes 11 and 16 while the carrying amount of other reserves is P23,713,066 and nil at December 31, 2017 and 2016 respectively, as disclosed in Note 17.



Contingencies

The Company is currently involved in various legal proceedings and tax assessments, as disclosed in Note 30. Estimates of probable costs for the resolution of these claims have been developed in consultation with external counsel handling the defense in these matters and are based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017	2016
Cash on hand and in banks	P145,462,369	P14,654,430
Cash equivalents	78,600,000	81,200,000
	P224,062,369	P95,854,430

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Cash in banks earned interest at the respective bank deposit rates ranging from 0.25% to 0.50% in 2017 and 2016. Cash equivalents represent short-term deposits varying from one day to two months depending on the cash requirements of the Company, and earn annual interest rates ranging from 0.60 % to 2.20% in 2017 and 0.25% to 2.80% in 2016. Interest income from cash in banks and cash equivalents amounted to P2,235,879 and P1,930,217 in 2017 and 2016, respectively, as disclosed in Note 27.

As at December 31, 2017 and 2016, the Company maintains its cash deposits in commercial and universal banks with good credit standing to minimize exposure to credit risk.

8. RECEIVABLES

Receivables consist of:

	2017	2016
Accrued interest	P3,088,371	P 3,079,423
Receivables from a trustee bank	-	137,894,441
Other receivables	692,335	792,500
	P3,780,706	P141,766,364

Receivables from trustee bank pertain to amounts paid in advance by the Company on trust fund withdrawals made by certain planholders owning interests in the trust being held by Banco de Oro (BDO) trust fund. This amount is non-interest bearing and due immediately.

Accrued interest pertains to interest receivable on cash in banks, cash equivalents, and Available for Sale (AFS) financial assets.

The Company believes that these receivables are not impaired since there is no change in their credit quality.



9. PREPAYMENTS AND OTHER CURRENT ASSETS - net

The details of the Company's prepayments and other current assets are shown below:

	2017	2016
Prepaid taxes	P18,269,021	P17,677,114
Prepaid expenses	273,296	165,096
	18,542,317	17,842,210
Less: Allowance for non-recoverable prepaid taxes	18,269,021	17,677,114
	P 273,296	P 165,096

Movements in the allowance for non-recoverable prepaid taxes are as follows:

	Note	2017	2016
Balance, beginning		P17,677,114	P17,296,093
Additions	26	591,907	381,021
Balance, ending		P18,269,021	P17,677,114

The Company provided valuation allowance for impairment on these prepaid taxes (creditable withholding taxes) amounting to P18,269,021 and P17,677,114 as at December 31, 2017 and 2016, respectively, because Management believes that the Company will not be able to avail of the tax benefit arising from these prepaid taxes in the future.

Prepaid expenses include prepaid license renewals, prepaid documentary stamp tax and other local business taxes.

10. AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

The Company's AFS financial assets consist of:

	2017	2016
Investments in government securities	P258,091,579	P269,396,750
Investment in mutual fund	13,629,397	13,194,965
	P271,720,976	P282,591,715

The movements in AFS financial assets are as follows:

	Note	2017	2016
Balance, beginning		P282,591,715	P280,732,077
Net premium amortization		(1,976,765)	(1,878,622)
Fair value adjustments	22	(8,893,974)	3,738,260
Balance, ending		P271,720,976	P282,591,715

The account is composed of the following investments:

	Note	2017	2016
Cost			
Investments in government securities		P275,842,447	P277,819,212
Investment in mutual fund		7,683,305	7,683,305
		283,525,752	285,502,517
Accumulated fair value adjustments	22	(11,804,776)	(2,910,802)
		P271,720,976	P282,591,715



The interest income, including amortization of discount and premium on government securities, in 2017 and 2016 amounted to P14,680,735 and P14,778,878, respectively, as disclosed in Note 27.

The Company's investment in mutual fund pertain to investment in Sun Life Prosperity Bond Fund, Inc. for a total of 4,908,841 shares with a net asset value of P13,629,397 and P13,194,965 as at December 31, 2017 and 2016, respectively.

No redemption of shares was made in 2017 and 2016.

No disposals of investments in government securities and mutual fund were made in 2017 and 2016

The fair values of these AFS financial assets are based on quoted market prices. The revaluation of these investments resulted in a net loss of P8,893,974 in 2017 and a net gain of P3,738,260 in 2016, as disclosed in Note 22.

11. TRUST FUNDS

The Company has trust funds which are being administered by Banco de Oro Unibank Inc. (BDO). These trust funds are for the fulfilment of the Company's obligations on outstanding pre-need contracts. In compliance with the rules and regulations of the SEC which were adopted by the IC, and in accordance with the terms of the trust agreements, withdrawals from the trust funds are limited to, payments of pre-need plan benefits, bank charges and investment expenses for the operation of the trust funds, termination value paid to planholders, and final taxes on investment income of the trust funds, among others.

As mandated by the IC, an actuarial valuation of the adequacy of the trust funds shall be submitted to the IC within 120 days after the end of every fiscal year of the Company. Any deficiency in the trust funds shall be funded within 30 days after receipt of notice of deficiency from the IC.

As at December 31, 2017 and 2016, the Company's trust funds and the required PNRs are as follows:

Type of Pre-need Product	Trust Fund Equity	Pre-need Reserves (Note 16)	Excess (Deficiency)	Staggered Recognition of Trust Fund Deficiency (Note 16)	Transitory Pre-need Reserves
2017					
Education	P2,138,503,217	P2,403,865,691	(P265,362,474)	P53,072,495	P2,191,575,712
Pension	4,240,264,250	4,417,651,370	(177,387,120)	35,477,424	4,275,741,674
	P6,378,767,467	P6,821,517,061	(P442,749,594)	P88,549,919	P6,467,317,386
2016					
Education	P2,170,596,812	P2,450,560,852	(P279,964,040)	P46,660,673	P2,217,257,485
Pension	5,032,775,012	4,979,243,526	53,531,486	-	4,979,243,526
	P7,203,371,824	P7,429,804,378	(P226,432,554)	P46,660,673	P7,196,501,011

Trust Fund Equity shown above is based on the Trust Fund Statements before any adjustment on reclassification from HTM investments to AFS investments to comply with the requirements of PAS 39. For financial statements purposes, these HTM investments are remeasured at fair value.

As at December 31, 2017, in accordance with IC CL No. 23-2012, the amount that will be funded is one-fifth of the total deficiency amounting to P53,072,495 for the Education segment, and P35,477,424 for the Pension segment. The Company's trust fund deficiency was subsequently funded in February 2018 within the prescribed time allowed by the IC.

Total contributions to the trust funds amounted to P167,797,781 and P175,772,780 in 2017 and 2016, respectively, as disclosed in Note 16.



The details of the adjusted trust funds are as follows:

Statements of financial position

	2017			2016
	Pension	Education	Total	
Assets				
Cash and cash equivalents	P 60,812,297	P 122,129,072	P 182,941,369	P 285,268,225
Available-for-sale investments	4,197,275,927	1,949,650,587	6,146,926,514	7,034,797,643
Equity investments	100,840,978	231,263,256	332,104,234	283,500,823
Interest receivable	66,345,605	25,519,948	91,865,553	98,445,927
Other assets	7,696,763	2,008,382	9,705,145	2,999,973
	4,432,971,570	2,330,571,245	6,763,542,815	7,705,012,591
Liabilities				
Accrued expenses and other liabilities	1,108,981	551,722	1,660,703	1,876,875
	P4,431,862,589	P2,330,019,523	P6,761,882,112	P7,703,135,716
Equity				
Fund balance, beginning	P638,110,767	P1,018,936,766	P1,657,047,533	P2,325,011,785
Additional contributions	109,840,774	57,957,007	167,797,781	175,772,780
Withdrawals	(995,477,719)	(204,030,813)	(1,199,508,532)	(843,737,032)
Trust fund contributions - net	(885,636,945)	(146,073,806)	(1,031,710,751)	(667,964,252)
Fund balance, ending	(247,526,178)	872,862,960	625,336,782	1,657,047,533
Reserve for fluctuation				
Available-for-sale investments	476,120,653	230,634,253	706,754,906	1,019,000,506
Accumulated trust fund income, beginning	3,933,348,662	1,093,739,015	5,027,087,677	4,626,157,309
Trust fund income - net	269,919,452	132,783,295	402,702,747	400,930,368
Accumulated trust fund income, ending	4,203,268,114	1,226,522,310	5,429,790,424	5,027,087,677
	P4,431,862,589	P2,330,019,523	P6,761,882,112	P7,703,135,716

Statements of comprehensive income

	2017			2016
	Pension	Education	Total	
Income	P285,025,003	P140,429,992	P425,454,995	P430,483,976
Expenses	(15,105,551)	(7,646,697)	(22,752,248)	(29,553,608)
Net income	P269,919,452	P132,783,295	P402,702,747	P400,930,368

The following table presents the maturity profile of the principal amounts of the AFS investments under trust fund assets as at December 31, 2017 and 2016:

	2017	2016
Due within one year	P 15,200,400	P -
Due after one year through five years	692,853,778	297,651,766
Due after five years and above	5,070,627,273	5,473,940,549
	P5,778,681,451	P5,771,592,315

AFS investments of the trust funds include investments in treasury notes and bonds measured at fair values based on quoted prices of either done deals or bid rates or based on interpolated yields derived from benchmark reference rates. The revaluation of these investments resulted in a loss on fair value measurement amounting to P241,888,484 and P252,261,258 in 2017 and 2016, respectively as disclosed in Note 22.



Reclassification of fair value adjustments from trust fund equity to profit or loss relating to AFS investments of the trust funds disposed during the year resulted in a gain of P70,357,116 and P70,489,646 in 2017 and 2016, respectively, as disclosed in Note 22.

On June 30, 2011, the Company sold a significant portion of its HTM investments in the trust funds to meet liquidity requirements for maturing plans during the year. As a result, the remaining HTM portfolio was reclassified into AFS category. The financial assets reclassified from HTM to AFS category consist of government securities in the form of fixed rate treasury notes. These securities have a maturity profile of at least five (5) years.

In 2014, the two-year period subsequent to reclassification from HTM to AFS category has passed. No reclassification of AFS investments back to HTM investments was made from 2015 to 2017. The Company will continue to perform an assessment of the appropriate classification of its investment for the subsequent years.

Pursuant to Section 36 of the Implementing Rules and Regulations (IRR) of Republic Act No. 9829, otherwise known as the Pre-need Code of the Philippines, the IC issued guidelines on the Management of the Trust Fund of the Pre-need Corporation which supersede Sections 16 and 74 of Republic Act No. 8799 dated March 8, 2010. The significant provisions of the IC's New Rules relating to investments in trust funds as amended are as follows:

1. Fixed income instruments - These may be classified into short-term and long-term instruments. The instrument is short-term if the term to maturity is 365 days or less. This category includes:
 - a. Government securities which shall not be less than 10% of the trust fund amount;
 - b. Savings/time deposits and unit investment trust funds maintained with and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas (BSP);
 - c. Commercial papers duly registered with the SEC with a credit rating of "1" for short term and "AAA" for long term based on the rating scale of an accredited Philippine Rating Agency or its equivalent at the time of investment, provided that, the maximum exposure to long-term commercial papers shall not exceed 15% of the total trust fund amount while the exposure to each commercial paper issuer shall not exceed 10% of the allocated amount; and
 - d. Direct loans to corporations which are financially stable, profitable for the last three (3) years and have a good track record of paying their previous loans.

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

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

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

The maximum term of the loan should be no longer than four (4) years.

Direct loans to planholders are exempt from the limitations set forth under this Section, provided that such loans to planholders shall not exceed 10% of the total trust fund amount.



2. Equities - Investments in equities shall be limited to stocks listed on the main board of the local stock exchange. Investments in duly registered collective investment instruments such as mutual funds are allowed hereunder, provided that such funds are invested only in fixed income instruments and blue chips securities, subject to the limitations prescribed by laws, rules and regulations. These investments shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three (3) years. Notwithstanding the prohibition against transactions with directors, officers, stockholders and related interests, the trustee may invest in equities of companies related to the trustee provided these companies comply with the foregoing criteria provided in this paragraph for equity investments.

The amount to be allocated for this purpose shall not exceed 30% of the total trust fund while the investment in any particular issue shall not exceed 10% of the allocated amount. The investment shall be recorded at the aggregate of the lower of cost or market.

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

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

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

The total recorded value of the real estate investment shall not exceed 10% of the total trust fund amount of the pre-need company. In the event that the existing real estate investment exceeds the aforesaid limit, the same shall be leveled off to the prescribed limit within three (3) years from the effectivity of the Pre-need Code. Investment of the trust fund, which is not in accordance with the preceding paragraphs, shall not be allowed unless the prior written approval of the Commission had been secured. Provided further, that no deposit or investment in any single entity shall exceed 15% of the total value of the trust fund. Provided finally, that the Commission is authorized to adjust the percentage allocation per category set forth herein not in excess of 2% points upward or downward and no oftener than once every five (5) years. The first adjustment hereunder may be made no earlier than five (5) years from the effectivity of the Pre-need Code. The pre-need company shall not use the trust fund to extend any loan to or to invest in its directors, stockholders, officers or its affiliates.

The Company has fully complied with all the implementing guidelines of the abovementioned IRR. The final amount of non-admitted assets can be determined only after the investments in trust funds have been examined by the IC.

12. COMPUTER SOFTWARE - net

Movements in the carrying amounts of the Company's computer software:

	Note	2017	2016
Cost		P16,811,319	P16,811,214
Accumulated amortization	26	6,070,754	466,978
Carrying Amount at December 31		P10,740,565	P16,344,236



13. BENEFITS PAYABLE AND ACCRUED EXPENSES AND OTHER LIABILITIES

Benefits Payable

Benefits payable amounting to P80,002,373 and P73,258,969 as at December 31, 2017 and 2016, respectively, represents amounts due to planholders and beneficiaries, in the course of settlement, and incurred but unpaid claims on the pre-need contracts, such as due but unpaid matured benefits, surrender benefits and annuity payments.

Accrued Expenses and Other Liabilities

	2017	2016
Payable to agents	P2,883,527	P2,586,728
Accrued general expenses	1,449,022	532,952
Accrued final taxes	617,674	615,885
Output value added tax (VAT) - net	110,064	570,086
Withholding taxes	79,138	103,847
Other liabilities	1,453,378	999,972
	P6,592,803	P5,409,470

The Company's liabilities are not subject to interest charges.

Details of accrued general expenses are as follows:

	2017	2016
Professional fees	P1,396,556	P448,797
Agency related fees	52,466	84,155
	P1,449,022	P532,952

As at December 31, 2017 and 2016, output VAT is net of input VAT of P277,575 and P57,189, respectively.

Other liabilities include unidentified bank credits which are temporarily recorded in a suspense account pending the confirmation of the client's identification.

14. COUNSELORS' BOND RESERVE

Counselors' bond reserve amounting to P6,995,648 and P6,976,311 as at December 31, 2017 and 2016, respectively, represents the aggregate amount of deductions from agents' commissions, bonuses and other cash incentives. Upon separation of an agent from the Company, the agent's accountability will be deducted from the accumulated bond reserve upon securing of approved and updated clearance from the Licensing section.

Remaining liabilities as of reporting date pertain to those withheld from agents in 2011 and earlier years.



15. RELATED PARTY TRANSACTIONS

The Company has the following transactions and outstanding balances with related parties as at and for the years ended December 31:

Category	Amounts	Outstanding Balance		Terms	Conditions	Notes
		Receivable	Payable			
2017						
Parent company						
Chargeback	P22,772,348	P -	P -	30-day: non-interest bearing	Unsecured	a
Premiums	241,075	-	3,240,776	30-day: non-interest bearing	Unsecured	b
2016						
Parent company						
Chargeback	28,158,187	-	-	30-day: non-interest bearing	Unsecured	a
Premiums	289,305	-	3,635,460	30-day: non-interest bearing	Unsecured	b

- The Company has transactions with SLOCPI which consist mainly of intercompany billings to cover shared costs and operating expenses such as systems, operations, human resources, legal and internal audit functions and others, which are being settled in cash on or before the 30th day of each month.
- Other pre-need plans (educational and pension plans) have embedded credit life and credit disability benefits which are insured to SLOCPI. Outstanding balances are included as part of payable to parent company.

16. PRE-NEED RESERVES (PNR)

Movements in the Company's PNR are as follows:

	Note	2017	2016
PNR, Beginning		P7,196,501,011	P7,373,354,786
Trust fund contributions	24	91,798,556	106,486,239
Decrease in PNR	24	(820,982,181)	(283,340,014)
		(729,183,625)	(176,853,775)
PNR, Ending		P6,467,317,386	P7,196,501,011

In its CL No. 23-2012, *Valuation of Transitory Pre-Need Reserve (TPNR)*, dated November 28, 2012, the IC required the use of the lower of attainable rates and 6%, but provides for TPNR which allows the staggered recognition of the excess of PNR over the amount of the trust funds over ten (10) years. The Company has PNR deficiency in accordance with the CL as at December 31, 2017 and 2016 amounting to P88,549,919 and P46,660,673, respectively, as disclosed in Note 11.

In 2017 and 2016, the Company applied the lower of the attainable rates and 6% and availed of the staggered recognition of the excess of PNR over trust fund assets. In 2017, the Company used interest rate assumptions determined and provided by the Company's trustee bank of 6.17% for Sun Education (Non-Par), 5.46% for Sun Pension (Non-Par), 6.16% for Sun Education Plus (Par) and 6.61% for Sun Pension Plus (Par). In 2016, the interest rates were set at 6.25% for Sun Education (Non-Par), 5.64% for Sun Pension (Non-Par), 6.19% for Sun Education Plus (Par) and 6.54% for Sun Pension Plus (Par).



Details of PNR per product type are as follows:

	Note	2017	2016
Education		P2,191,575,712	P2,217,257,485
Pension		4,275,741,674	4,979,243,526
	11	P6,467,317,386	P7,196,501,011

Other reserves are set-up as a prudent measure at the option of the Company. It is the excess of ARL over the PNR, as disclosed in Note 17. The PNR, before availing the staggered recognition of the deficiency, are summarized based on payment status as follows:

	PNR*	ARL
2017		
Currently-being-paid education and pension plans	P 618,114,538	P 518,471,111
Lapsed plan within allowable reinstatement period	14,347,553	34,855,253
Fully paid education and pension plans	6,189,054,970	5,937,704,088
	P6,821,517,061	P6,491,030,452
2016		
Currently-being-paid education and pension plans	P 817,982,393	P 743,917,607
Lapsed plan within allowable reinstatement period	15,526,407	38,639,793
Fully paid education and pension plans	6,596,295,578	6,374,296,054
	P7,429,804,378	P7,156,853,454

*Based on full amount of PNR and without considering the staggered recognition of deficiency of trust fund over reserves as provided in IC CL No. 23-2012.

The PNR for each individual subsidiary account of each type of plans are determined as follows:

- a. Currently-Being-Paid Education and Pension Plans
 1. Provision for termination values was determined by applying the surrender rate experience of the Company.
 2. Liability was set-up for the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company. It is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted using the appropriate discount rate.



Withdrawal rate of currently-being-paid plans is based on the average of 3-year Company withdrawal experience, if available; otherwise, this is based on the recent Company persistency studies or pricing assumptions.

Type of Pre-need Product	PNR	ARL
December 31, 2017		
Education non-par	P 27,225,147	P 25,706,864
Education par	50,614,996	49,859,665
Pension non-par	493,107,337	395,715,491
Pension par	47,167,058	47,189,091
	P618,114,538	P518,471,111
December 31, 2016		
Education non-par	P 53,048,811	P 50,138,955
Education par	102,939,839	102,206,852
Pension non-par	555,222,525	484,572,588
Pension par	106,771,218	106,999,212
	P817,982,393	P743,917,607

b. Lapsed Plan within Allowable Reinstatement Period

The provision for termination values was determined by applying the reinstatement experience of the Company. The Company used reinstatement factor of 60% in 2017 and 2016. Based on the 3-year Company reinstatement experience, the percentage of lapsed plans during previous year which were reinstated within the current year is around 52.2% and 50.9% in 2017 and 2016, respectively.

Type of Pre-need Product	PNR	ARL
December 31, 2017		
Education non-par	P 1,798,648	P 4,117,841
Education par	2,942,955	7,671,461
Pension non-par	6,575,518	16,568,887
Pension par	3,030,432	6,497,064
	P14,347,553	P34,855,243
December 31, 2016		
Education non-par	P 2,156,475	P 5,248,314
Education par	2,361,841	6,085,348
Pension non-par	6,314,356	16,991,171
Pension par	4,693,735	10,314,960
	P15,526,407	P38,639,793

PNR for lapsed plans are computed as Plan Termination Value multiplied by the reinstatement factor while ARL for lapsed plans are computed as higher of actuarial reserves as of lapsed date multiplied by the reinstatement factor or the plan termination value.



c. Fully Paid Education and Pension Plans

Type of Pre-need Product	PNR	ARL
December 31, 2017		
Education non-par	P1,626,747,355	P1,571,671,973
Education par	694,536,590	686,253,017
Pension non-par	3,269,013,127	3,081,021,200
Pension par	598,757,898	598,757,898
	P6,189,054,970	P5,937,704,088
December 31, 2016		
Education non-par	P1,645,408,885	P1,590,864,179
Education par	644,645,001	641,982,687
Pension non-par	3,605,630,194	3,440,834,084
Pension par	700,611,498	700,615,104
	P6,596,295,578	P6,374,296,054

The actual trust fund contributions per books amounting to P91,798,556 and P106,486,239 in 2017 and 2016, respectively, are less than the P167,797,781 and P175,772,780 total contributions per bank, as disclosed in Note 11, due to additional deposits made in 2017 and 2016 to fund the PNR computed on a monthly valuation basis done by the Company. Reconciliation is as follows:

	Note	2017	2016
Trust Fund Contributions Per Books		P 91,798,556	P106,486,239
Bank adjustments		-	26,282,556
Trust fund contributions in December 2015, deposited on January 4, 2016		-	6,829,513
Trust fund contributions in December 2016, deposited on January 3, 2017		3,825,528	(3,825,528)
Trust fund contributions in December 2017, deposited on January 3, 2018		(4,826,303)	-
Additional deposit to education in February 2017		47,000,000	-
Additional deposit to pension in February 2017		30,000,000	-
Additional deposit to education in February 2016		-	40,000,000
Trust Fund Contributions Per Bank	11	P167,797,781	P175,772,780

17. OTHER RESERVES

Movements in the Company's other reserves are as follows:

	Note	2017	2016
Other reserves, beginning		P -	P94,807,401
Increase (decrease) in other reserves	24	23,713,066	(94,807,401)
Other reserves, ending		P23,713,066	P -

As a prudent measure, the Company, at its option, shall set-up other reserves in accordance with PAS 37 to cover its contractual obligations based on the amended PNUCA. Other Reserves is the excess of ARL over the PNR. In 2016, a reversal of other reserves was made since ARL is lower than PNR as at December 31, 2016. In 2017, Other Reserves amounting to P23,713,066 was recognized since ARL is higher than PNR, as shown in Note 16.



18. PLANHOLDERS' DEPOSITS

Planholders' deposits amounting to P24,904,066 and P23,647,104 as at December 31, 2017 and 2016, respectively, represent amounts received from the planholders for excess fractional payments of a regular installment, and payments received with application for the reinstatement of lapsed plans within two (2) years from the date of lapse, pending the approval of the Company.

19. SHARE CAPITAL

The details of the share capital as at December 31, 2017 and 2016 are as follows:

	Ordinary Share Capital	Preferred Share Capital
Authorized:		
3,000,000 ordinary shares at P25 per share	P75,000,000	P -
2,000,000 preference shares at P25 per share	-	50,000,000
Issued, fully paid and outstanding:		
3,000,000 ordinary shares at P25 per share	75,000,000	-
2,000,000 preference shares at P25 per share	-	50,000,000

There were no movements in the share capital of the Company in 2017 and 2016. Ordinary shares carry one vote per share and carry a right to dividends. The holders of preference shares have carry one vote per share. The preferred shares may be redeemed at the option of the Company, subject to the approval of the Board of Directors (BOD) of the Company.

20. ADDITIONAL PAID-IN CAPITAL

After the approval by the majority of the BOD and by the vote of the shareholders owning or representing at least two-thirds (2/3) of the outstanding share capital at the shareholders' meeting held on July 29, 2010, the SEC approved the decrease in authorized share capital of the Company on December 3, 2010 from P700,000,000 divided into 5,000,000 ordinary and 2,000,000 preference shares both with par value of P100 each, to P125,000,000 divided into 3,000,000 ordinary and 2,000,000 preference shares both with P25 par value.

The reduction in share capital of P375,000,000 resulting from the decrease in authorized share capital was recognized as additional paid-in capital in the books of the Company.

21. CONTRIBUTED SURPLUS

On June 3, 2010, the BOD of SLOCPI approved a capital infusion of P200,000,000 into the Company, by way of contributed surplus. The initial infusion of P25,000,000 out of the said authorized amount of P200,000,000 was contributed into the Company on June 29, 2010. The Company's Management was also given the authority to determine when the subsequent infusions shall be made as it deems necessary.



22. INVESTMENT REVALUATION RESERVES

The movements of net unrealized gain on fair value measurement are as follows:

	Notes	2017	2016
Balance, beginning		P1,016,089,704	P1,335,102,348
Net gain (loss) on fair value measurement:			
Available-for-sale financial assets	10	(8,893,974)	3,738,260
Investments in trust funds	11	(241,888,484)	(252,261,258)
Reclassification adjustments relating to disposed financial assets during the year			
Investments in trust funds	11	(70,357,116)	(70,489,646)
		(321,139,574)	(319,012,644)
Balance, ending		P694,950,130	P1,016,089,704

The summary of investment revaluation reserves is as follows:

	Notes	2017	2016
Available-for-sale financial assets	10	(P 11,804,776)	(P 2,910,802)
Trust funds	11	706,754,906	1,019,000,506
		P694,950,130	P1,016,089,704

23. PREMIUM REVENUE

Premium revenue amounting to P132,049,733 and P150,841,677 in 2017 and 2016, respectively, pertains to amount collected during the year from the remaining contracts of planholders.

Amount of premium installments collectible from the planholders are not recognized as receivables in accordance with Pre-need Rule 31, As Amended: Accounting Standards for Pre-need Plans and PNUCA adopted by the Company on January 1, 2007.

24. DECREASE IN PRE-NEED RESERVES - net

The account comprises of:

	Notes	2017	2016
Trust fund contribution	16	P 91,798,556	P106,486,239
Increase (decrease) in other reserves	17	23,713,066	(94,807,401)
Decrease in PNR	16	(820,982,181)	(283,340,014)
		(705,470,559)	(271,661,176)
Documentary stamp taxes and SEC registration fees		91,799	106,486
		(P705,378,760)	(P271,554,690)

25. OTHER DIRECT COSTS AND EXPENSES

The Company's direct costs and expenses consist of:

	2017	2016
Planholders' benefits	P1,162,608,554	P955,290,668
Agents' bonuses	4,215,219	4,391,907
Basic commissions	5,549,679	2,945,135
Marketing and sales	4,753	11,357
	P1,172,378,205	P962,639,067



Planholders' benefits pertain to benefits of planholders and their beneficiaries, paid and accrued upon plan maturity. The total number of plans that matured in 2017 and 2016 was 3,091 and 2,337, respectively.

The amount of planholders' benefits expense is less than the total withdrawals in the trust funds as disclosed in Note 11, due to timing differences of payments made by the Company in current year that were reimbursed by the trustee in subsequent year.

26. GENERAL AND ADMINISTRATIVE EXPENSES

Details of general and administrative expenses are as follows:

	Notes	2017	2016
Expense chargeback	15	P22,772,348	P28,158,187
Amortization of computer software	12	5,603,776	466,978
Professional fees		2,157,524	1,363,633
Taxes and licenses		1,147,118	1,060,345
Additional allowance for non-recoverable prepaid taxes	9	591,907	381,021
Bank charges		357,649	473,870
Plan insurance	15	241,075	289,305
Communication and utilities		142,606	131,752
Miscellaneous		68,012	78,953
		P33,082,015	P32,404,045

The Company outsources its various administrative functions to SLOCPI, mainly, to focus on core competencies, to drive excellence and execution, and to achieve cost savings for the fulfillment of the Company's obligations on outstanding pre-need contracts.

27. INVESTMENT INCOME

The Company's investment income consists of:

	Notes	2017	2016
Interest from:			
Government securities	10	P14,680,735	P14,778,878
Cash in banks and cash equivalents	7	2,235,879	1,930,217
		P16,916,614	P16,709,095

28. OTHER INCOME

The Company's other income consists of:

	2017	2016
Handling fees	P1,962,856	P2,610,768
Interest on lapsed plan	630,528	1,396,618
Miscellaneous	1,912	698,707
	P2,595,296	P4,706,093

Handling fees pertain to the handling charges associated with installment payments other than annual basis or spot-cash sales.



Details of miscellaneous income are as follows:

	2017	2016
Reversal of stale checks and unidentified bank credits	P -	P697,909
Other miscellaneous income	1,912	798
	P1,912	P698,707

29. INCOME TAXES

The income tax expense represents the final tax on interest income amounting to P3,778,682 and P3,717,454 in 2017 and 2016, respectively.

A reconciliation between income tax expense and the product of accounting income (loss) in 2017 and in 2016 multiplied by 30% is as follows:

	2017	2016
Accounting income (loss)	P 54,182,930	(P150,301,189)
Tax expense (benefit) at 30%	P 16,254,879	(P 45,090,357)
Adjustment for income subject to lower income tax rate	(2,239,632)	(1,295,275)
Tax effects of:		
Trust fund income – net	(120,810,824)	(120,279,110)
Unrecognized NOLCO	109,226,645	169,028,551
Non-deductible expenses	1,347,614	1,353,645
Income tax expense	P 3,778,682	P 3,717,454

Details of the Company's NOLCO are as follows:

Year of Incurrence	Year of Expiry	2016 Balance	Additions	Expired	2017 Balance
2014	2017	P 498,111,990	P -	(P498,111,990)	P -
2015	2018	488,596,739	-	-	488,596,739
2016	2019	563,428,502	-	-	563,428,502
2017	2020	-	364,088,817	-	364,088,817
		P1,550,137,231	P364,088,817	(P498,111,990)	P1,416,114,058

The Company did not recognize the deferred tax asset on NOLCO amounting to P424,834,217, and P465,041,169 as at December 31, 2017 and 2016, respectively, because Management believes it is more likely that the Company will not be able to realize the tax benefit arising from NOLCO.

In addition, the Company does not have a deferred tax liability as at December 31, 2017 and 2016.

30. CONTINGENCIES

In the normal course of the Company's operations, there are various outstanding contingent liabilities such as pending legal cases which are not reflected in the Company's financial statements as at December 31, 2017 and 2016. The Company recognizes in its books any losses and liabilities incurred in the course of its operations as they become determinable and quantifiable. In the opinion of the Management and its legal and tax counsels, the Company is not liable to and has strong position on the pending legal cases, but which if decided adversely, will not have a material effect on the Company's financial position and results of operations.



31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

	Fair value as at December 31		Fair value hierarchy
	2017	2016	
AFS financial assets			
Investments in government securities	P259,994,860	P 269,396,750	Level 1
Investments in mutual fund	13,629,397	13,194,965	Level 1
Investments in trust funds	6,835,842,506	2,752,265,215	Level 1
Investments in trust funds	-	4,566,033,251	Level 2
	P 7,109,466,763	P 7,600,890,181	

Investments in trust funds pertain to investments in fixed income securities and equity investments.

The fair values of fixed-income securities classified under Level 1 are based on quoted prices of either done deals or bid rates while those under Level 2 are based on interpolated yields derived from benchmark reference rates.

Equity investments are valued at quoted prices as at reporting date.

Investments in mutual fund is revalued at market price based on Net Asset Value per Share (NAVPS) provided by SLAMCI on a monthly basis.

The Company has no Level 3 financial instruments.

In 2016, as a result of changes in benchmark rates, fixed income securities with par value of P250,222,667 as at December 31, 2016 and fair values of P310,073,450 as at December 31, 2016, were transferred out of the Level 2 classification to Level 1 classification. Furthermore, fixed income securities with par value of P162,706,000 as at December 31, 2016 and fair values of P226,851,506 as at December 31, 2016, were transferred out of the Level 1 classification to Level 2 classification.

Management believes that these reclassifications and transfers were appropriate.



Assets and liabilities not measured at fair value

The following financial assets and financial liabilities are not measured at fair value on recurring basis but the fair value disclosure is required:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
General Fund				
Cash and cash equivalents	P224,062,369	224,062,369	P 95,854,430	P 95,854,430
Receivables	3,780,706	3,780,706	141,766,364	141,766,364
	227,843,075	227,843,075	237,620,794	237,620,794
Trust Funds				
Cash and cash equivalents	182,941,369	182,941,369	285,268,225	285,268,225
Interest receivable	91,865,553	91,865,553	98,445,927	98,445,927
Other assets	9,705,145	9,705,145	2,999,973	2,999,973
	284,512,067	284,512,067	386,714,125	386,714,125
	P512,355,142	P512,355,142	P624,334,919	P624,334,919
Financial Liabilities				
General Fund				
Accrued expenses and other liabilities	P5,785,927	P 5,785,927	P 4,119,652	P 4,119,652
Benefits payable	80,002,373	80,002,373	73,258,969	73,258,969
Counselors' bond reserve	6,995,648	6,995,648	6,976,311	6,976,311
Payable to parent company	3,240,776	3,240,776	3,635,460	3,635,460
Planholder's deposit	24,904,066	24,904,066	23,647,104	23,647,104
	120,928,790	120,928,790	111,637,496	111,637,496
Trust Funds				
Accrued expenses and other liabilities	1,660,703	1,660,703	1,876,875	1,876,875
	P122,589,493	P122,589,493	P 113,514,371	P113,514,371

The difference between the carrying amount of the accrued expenses and other liabilities disclosed in the statements of financial position and the amount disclosed in this note pertains to payables to government that are not considered as financial liabilities.

Due to the short-term maturities of cash and cash equivalents, receivables, accrued expenses and other liabilities, counselors' bond reserve, payable to parent company and benefits payable, their carrying amounts approximate their fair values.

32. RISK MANAGEMENT

The Company's overall risk management framework establishes policies, operating guidelines, risk tolerance limits and practices for risk management patterned after the Company's parent organization. It provides oversight to the risk management activities within the Company's business segments, ensuring that discipline and consistency are applied to the practice of risk management.

The Company's activities expose it to a variety of financial risks (such as market risk, interest rate risk, credit risk and liquidity risk) and operational risks (such as product design and pricing risk and legal, regulatory and market conduct risk management).

Risk Framework

The risk management program is designed to:

- avoid risks that could materially affect the value of the Company;
- contribute to sustainable earnings;
- take risks that the Company can manage in order to increase returns; and
- provide transparency of the Company's risks through internal and external reporting.

The Company is in the business of accepting risks for appropriate return and takes on those risks that meet its objectives. The program design aligns risk management with the Company's vision and strategy and embeds it within its business management practices of the business groups.



In pursuing its business objectives, Management is responsible for ensuring that all significant risks are appropriately identified, assessed, managed, reported and monitored.

Accountability provides clear lines of responsibility and authority for risk acceptance and risk taking. In order for risk management to be effective, all must understand their roles and responsibilities.

The BOD is ultimately responsible for ensuring that risk management policies and practices are in place. The BOD has oversight role with respect to ensuring the identification of major areas of risk and development of strategies to manage those risks, and to review compliance with risk management policies implemented by the Company and with legal and regulatory matters.

Key Risk Processes

The Company has established a formal risk identification program whereby key risks that may impact its business are identified. Exposure to these risks is assessed on a qualitative and quantitative bases. Risk control programs and action plans are established for mitigating the exposure.

The Company has adopted risk management policies to provide a consistent approach to measurement, mitigation and control, and monitoring of risk exposures.

Risk Measurement

The Company has established market risk tolerance limits that set out the maximum target income sensitivity of the Company to change in interest rates and the equity markets.

Risk Categories

The risks facing the Company can generally be classified into the following categories:

Market risk

Market risk arises when there is uncertainty in the valuation of assets and the cost of embedded options and guarantee from changes in equity markets and/or interest rates.

The Company's insurance liabilities are segmented according to major product type, with investment guidelines established for each segment. Exposure to capital market is monitored and managed against established risk tolerance limits. Effects of large and sustained adverse market movement in securities are monitored through Dynamic Capital Adequacy testing and other stress-testing techniques.

a. Interest rate risk

This is the risk of asset-liability mismatch resulting from the interest rate volatility.

To the extent possible, the Company established matching plan for each portfolio of assets and associated liabilities to keep potential losses within acceptable limits.

The Asset Liability Committee measures and monitors interest rate risk using duration analysis.

The sensitivity analyses below were determined based on the Company's investment in fixed income securities classified as AFS securities as of reporting date.

A 100 basis points increase in the yield rate will result to a decrease in equity of P362 million in 2017 and P478 million in 2016.

A 100 basis points decrease in the yield rate will result to an increase in equity of P394 million in 2017 and P527 million in 2016.



b. *Equity price risk*

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes. Equity exposure is managed through the limits set by the Pre-Need Code, as well as the allowable equity allocations as stated in the investment management agreement (and subsequent amendments) with the trustee bank. Equity exposure is monitored periodically and reported to the Asset Liability Committee on a quarterly basis.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices have been 10% higher or lower, equity reserves would have increased or decreased by P33 million in 2017 and P28 million in 2016, as a result of the changes in fair value of equity investment.

c. *Credit risk*

The Company has exposure to credit risk from its investments in Philippine government securities and occasionally in the Special Deposit Account (SDA) offered by the BSP. The Company also maintains cash deposits in commercial and universal banks with good credit standing to minimize exposure to credit risk.

The table below summarizes the Company's financial assets as at December 31, 2017 and 2016 with a maximum exposure equal to carrying amounts of the financial assets.

	Notes	2017	2016
General Fund			
Cash in banks and cash equivalents	7	P224,062,369	P 95,854,430
Available-for-sale financial assets	10	258,091,579	269,396,750
Receivables	8	3,780,706	141,766,364
		485,934,654	507,017,544
Trust Funds			
Cash in bank and cash equivalents	11	182,941,369	285,268,225
Available-for-sale financial assets	11	6,146,926,514	7,034,797,643
Interest receivable	11	91,865,553	98,445,927
Other Assets		9,705,145	2,999,973
		6,431,438,581	7,421,511,768
		P6,917,373,235	P7,928,529,312



The following table details the credit quality of those financial assets that are neither past due nor impaired:

	Neither Past Due nor Impaired				
	High Grade	Satisfactory Grade	Acceptable Grade	Low Grade	Total
December 31, 2017					
General Fund					
Cash in banks and cash equivalents	P 224,062,369	P -	P -	P -	P 224,062,369
Available-for-sale financial assets	258,091,579	-	-	-	258,091,579
Receivables	3,780,706	-	-	-	3,780,706
	485,934,654	-	-	-	485,934,654
Trust Funds					
Cash and cash equivalents	182,941,369	-	-	-	182,941,369
Available-for-sale financial assets	6,146,926,514	-	-	-	6,146,926,514
Interest receivable	91,865,553	-	-	-	91,865,553
Other assets	9,705,145	-	-	-	9,705,145
	6,431,438,581	-	-	-	6,431,438,581
	P6,917,373,235	P -	P -	P -	P6,917,373,235
December 31, 2016					
General Fund					
Cash in banks and cash equivalents	P 95,854,430	P -	P -	P -	P 95,854,430
Available-for-sale financial assets	269,396,750	-	-	-	269,396,750
Receivables	3,079,423	138,686,941	-	-	141,766,364
	368,330,603	138,686,941	-	-	507,017,544
Trust Funds					
Cash and cash equivalents	285,268,225	-	-	-	285,268,225
Available-for-sale financial assets	7,034,797,643	-	-	-	7,034,797,643
Interest receivable	98,445,927	-	-	-	98,445,927
Other assets	2,999,973	-	-	-	2,999,973
	7,421,511,768	-	-	-	7,421,511,768
	P7,789,842,371	P138,686,941	P -	P -	P7,928,529,312

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High Grade - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Satisfactory Grade - applies to financial assets that are performing as expected, including recently established businesses.

Acceptable Grade - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low Grade - applies to risks that is neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

d. *Liquidity risk*

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents amounting to P224,062,369 and P95,854,430 as at December 31, 2017 and 2016, respectively as shown in Note 7. These financial assets have maturities of less than three months to assure necessary liquidity.



The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Notes	Within One Year	Beyond One Year	Total
December 31, 2017				
General Fund				
Accrued expenses and other liabilities	13	P 5,785,927	P -	P 5,785,927
Benefits payable	13	80,002,373	-	80,002,373
Counselors' bond reserve	14	6,995,648	-	6,995,648
Payable to parent company	15	3,240,776	-	3,240,776
Planholders' deposits	18	-	24,904,066	24,904,066
		96,024,724	24,904,066	120,928,790
Trust Fund				
Accrued expenses and other liabilities	11	1,660,703	-	1,660,703
		P97,685,427	P24,904,066	P122,589,493
December 31, 2016				
General Fund				
Accrued expenses and other liabilities	13	P 4,119,652	P -	P 4,119,652
Benefits payable	13	73,258,969	-	73,258,969
Counselors' bond reserve	14	6,976,311	-	6,976,311
Payable to parent company	15	3,635,460	-	3,635,460
Planholders' deposits	18	-	23,647,104	23,647,104
		87,990,392	23,647,104	111,637,496
Trust Fund				
Accrued expenses and other liabilities	11	1,876,875	-	1,876,875
		P89,867,267	P23,647,104	P113,514,371

Financial liabilities presented above exclude amounts payable to government agencies for final taxes, output VAT and withholding taxes, as shown in Note 13.

The summary of the future cash flows representing principal and interest of financial assets under trust funds are as follows:

Product Type	Less than One Month	One to Three Months	Four Months to One Year	Two to Five Years	Above Five Years	Total
December 31, 2017						
Banco De Oro Educ Non Par	P 6,920,400	P 29,803,678	P 58,468,893	P 532,791,950	P1,247,816,333	P1,875,801,253
Banco De Oro-Pension Non Par	20,280,000	63,660,312	108,950,312	1,228,571,706	3,319,896,379	4,741,358,709
Banco De Oro Educ Par	2,755,590	7,505,737	26,249,339	321,969,595	487,140,587	845,620,848
Banco De Oro-Pension Par	3,444,472	11,368,190	37,962,278	412,230,232	697,909,332	1,162,914,504
	P33,400,462	P112,337,917	P231,630,822	P2,495,563,483	P5,752,762,631	P8,625,695,315
December 31, 2016						
Deutsche Bank- Educ Non Par	P 8,946,300	P 4,627,428	P 61,119,943	P 224,081,010	P1,683,757,044	P1,982,531,725
Deutsche Bank-Pension Non Par	46,036,312	24,662,890	123,377,624	821,345,475	4,631,867,371	5,647,289,672
Equitable BDO-Educ Par	3,663,195	3,952,632	26,895,329	103,533,467	767,673,726	905,718,349
Equitable BDO-Pension Par	5,582,382	6,884,793	43,305,313	167,317,465	1,201,367,903	1,424,457,856
	P64,228,189	P40,127,743	P254,698,209	P1,316,277,417	P8,284,666,044	P9,959,997,602

The factors affecting the Company's insurance and underwriting risks are described as follows:

a. *Product design and pricing risk*

This pertains to the risk arising from inappropriate or inadequate product design and pricing including deviations from the assumptions used in pricing products as a result of uncertainty concerning future investment yields, expenses, rates of plan termination and taxes.



Product design and pricing risk is the risk that a product does not perform as expected – with respect to either the Company or to the planholder – causing adverse financial and/or reputation consequences. This risk may arise from any combination of guarantees, rights and options granted to planholders or beneficiaries, inadequate assumptions, undiversifiable risks, sales and marketing approach and administrative difficulties.

Changes in planholder behavior, the investment and product markets, taxes, regulations, laws, consumer expectations, distribution channels and competing products may also impact the risk exposures of products.

Prudent product design and pricing is required to have strategic, marketing, risk and compliance, financial and actuarial objectives. This requires input from cross-functional teams each accountable for their own area of expertise.

The pricing adequacy of all products being offered needs to be regularly reviewed together with the changing market and industry environment for emerging trends and influences. The Company continually monitors and manages the guarantees, rights, options and the pricing adequacy of all products currently offered to limit exposure to risks that cannot be diversified. Approving authorities for new product initiatives are defined in the operational guidelines.

To manage product design and pricing risk, the Company sets standards and guidelines that address product design and pricing methods, pricing assumptions, profit margin objectives, required scenario analysis, documentation, internal peer review and pricing approval process.

b. Legal, regulatory and market conduct risk management

This refers to the risk associated with failure to comply with laws or to conduct business consistent with changing regulatory or public expectations.

The Company promotes strong compliance culture by setting the appropriate tone at the top, with respect to compliance with laws and regulations, and establishes compliance policies and framework. Compliance and legal obligations are monitored and reported to the BOD.

c. Operational risk

This refers to the uncertainty arising from internal events caused by failures of people, process and technology as well as external events.

This is the risk of loss resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

The Company has established business specific guidelines. Comprehensive insurance program, including appropriate levels of self-insurance, is maintained to provide protection against potential losses. Environmental risk management program is maintained to help protect investment assets, primarily, whenever applicable, real estate, mortgage, and structured finance portfolios, from losses due to environment issues and to help ensure compliance with applicable laws.



Regulatory Compliance Management

The Regulatory Compliance Management Policy sets out the framework for the management and mitigation of Compliance Risk. The objective of the Policy is to establish a strong, sustainable Compliance Risk management program that conforms to regulatory and industry standards and provides a reasonable assurance that the following outcomes are achieved:

1. The identification, assessment, communication and maintenance of applicable Compliance Requirements;
2. The development, communication and maintenance of a system of key controls designed to effect compliance with applicable compliance requirements and to manage and mitigate Compliance Risk;
3. Effective monitoring and oversight of management's day-to-day activities through which material compliance matters are identified, escalated and resolved; and
4. Timely reporting to management, on the overall effectiveness of the Policy and the state of compliance in Sun Life.

The Board provides the highest level of independent oversight of the management and operations of the Company. The Board is also responsible for approving Regulatory Compliance Management policies and ensuring that the same are reviewed and assessed on its effectiveness.

The Management implements day-to-day compliance. It is accountable for identifying and assessing Compliance Risks, specifically incorporating consideration of Compliance Risks in business activities and decisions, and managing Compliance Risks in day-to-day activities.

Sensitivity of PNR and ARL

The key assumptions to which the estimation of the PNR and ARL are particularly sensitive are as follows:

Interest rates

Estimates are made as to future investment income arising from the assets that back up pre-need contracts. These estimates are based on current market returns, expectations about future economic and financial development and the Company's investment strategies.

If investment returns are projected to increase, the valuation interest rates, specifically the attainable rates used in PNR computation, and the best estimate interest rate used for the ARL computation can also be increased. Increasing the valuation interest rates will result in a lower PNR and ARL.

If investment returns are projected to decrease, lower valuation interest rates should be set-up. Decreasing the valuation interest rates will result in an increase in the PNR and ARL.

Lapsed and surrender rates

Lapses relate to the termination of pre-need plans due to non-payment of installments. Surrenders relate to voluntary termination of plans by the planholders. Plan termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, plan duration and sales trends.

An increase in lapse and surrender rates generally results in lower PNR and ARL, while a decrease in lapse and surrender rates generally results in higher PNR and ARL.



A liability sensitivity analysis was performed on the two most significant valuation assumptions, which is lapse and surrender rates and interest rates. The PNR in this analysis is the liability before applying the staggered recognition of the TPNR liability in accordance with IC CL No. 23-2012. A 20% decrease in lapse and surrender rates, and 100 basis points drop in the interest rate would require an additional provision of P449 million and P369 million for PNR and ARL, respectively, in 2017 and P467 million and P412 million for PNR and ARL, respectively, in 2016.

33. CAPITAL RISK MANAGEMENT

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, debt holders and the planholders. The interest of the shareholders is to maximize returns after fixed obligations due to the debt holders. The interests of participating and other planholders are also protected under the demutualization agreements and the appropriate regulatory requirements.

The BOD establishes the written policies, standards and procedures necessary to effectively implement policies.

The level of capital adequacy risk accepted by the Company should be prudent as determined by management. Capital adequacy risk is mitigated through appropriate Risk Management policies and processes.

A pre-need company incorporated after the effectivity of pre-need code shall have a minimum paid-up capital of P100,000,000. The Company has complied with the abovementioned minimum requirement set by the SEC and IC.

Capital structure

The equity account of the Company consists of equity attributable to equity holders of the parent comprising of share capital, additional paid-in capital, contributed surplus, investment revaluation reserves, deficit and accumulated trust fund income.

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure.

The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital items is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

- a. Maintain the target level of financial strength;
- b. Achieve the target financial ratings; and
- c. Achieve the target capital adequacy requirements.

The Company's net equity of P660 million and P930 million as at December 31, 2017 and 2016, respectively, and the Company's share capital of P125 million as at December 31, 2017 and 2016 are higher than the minimum capital requirement of P75 million. As disclosed in Note 20, the Company obtained SEC approval on December 3, 2010 to reduce the Company's share capital from P700 million to P125 million.

Internal capital monitoring is being performed regularly by the Company. The Company's senior management reviews and monitors its capital, as well as its adherence to local regulatory capital requirements during its quarterly Asia Capital Meeting and presented to the Company's BOD semi-annually. The Company maintains at least the minimum capital required by the applicable local regulators.



The equity ratio in 2017 and 2016 are as follows:

	2017	2016
Equity	P 659,693,906	P 930,429,232
Total assets	7,272,460,024	8,239,857,557
Equity ratio	0.09:1	0.11:1

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

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR UNDER REVENUE REGULATIONS NO. 15-2010

The following supplementary information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Output VAT

Details of the Company's output VAT declared in 2017 is as follows:

	Vatable	Zero-rated	Total
Revenue	P44,737,801	-	P44,737,801
Output VAT	P 5,368,536	-	P 5,368,536

Input VAT

Details of the Company's input VAT claimed in 2017 are as follows:

Balance, January 1	P -
Add: Current year's domestic purchases/payments for Services lodged under cost of services	1,888,791
	1,888,791
Less: Claims for Input VAT	(1,888,791)
Balance, December 31	P -

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued in 2017 are as follows:

Charged to General and Administrative Expenses	
Local business taxes	P 880,393
Supervision fee	101,000
Permits and licenses	48,750
Registration and filing fees	103,750
Residence or community tax	10,000
IC Accreditation fee	-
Others	3,225
	P1,147,118

Withholding taxes

Details of the Company's withholding taxes paid or accrued during 2017 are as follows:

Expanded withholding taxes	P1,547,136
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Documentary stamp tax

Details of the Company's payment of documentary stamp taxes per plan type in 2017 are as follows:

Pension non-par	P 3,451
Pension par	72,738
Educational par	7,348
Educational non-par	8,262
	P91,799

Deficiency tax assessments and tax cases

At present, there are claims and tax assessments pending against the Company. In the opinion of the Management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the Company's statements of financial position or statements of comprehensive income.

The Company received a Final Assessment Notice (FAN) from the BIR regarding deficiency taxes for the year ended December 31, 2006 covering VAT.

The VAT deficiency of P203 million pertains to the VAT on Trust Fund Contribution (TFC), which is currently a pre-need industry issue. A letter of protest has been submitted to support the Company's position that the contributions to the trust fund do not form part of its gross receipts subject to VAT. Contributions to the trust fund represent a certain percentage of the amounts collected from planholders which are held in trust by a pre-need company and earmarked as reserved fund per SEC mandate. Such trust fund is required to be deposited with an independent trust company to guarantee the faithful compliance of the pre-need company's obligations under the pre-need plan. Last January 15, 2016, the Company's external legal counsel confirmed that there is strong basis for the Company to raise the defense of prescription should the BIR attempt to commence collection actions or proceedings.

The Management strongly believes that the assumption by the external legal counsel remains valid as at December 31, 2017 and that no subsequent notice was received from the BIR. Hence, a tax provision on this issue is not necessary.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on March 6, 2018.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

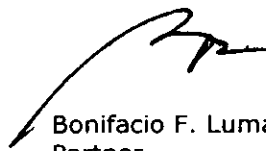
The Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

We have audited the financial statements of Sun Life Financial Plans, Inc. as at and for the years ended December 31, 2017 and 2016 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated March 6, 2018.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the list of all effective accounting standards and interpretations as at December 31, 2017, as required by the Securities and Exchange Commission under SRC Rule 68, as amended, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-3745362, issued on January 5, 2018, Taguig City

Taguig City, Philippines
March 6, 2018



LIST OF EFFECTIVE STANDARDS WITH THEIR RESPECTIVE EFFECTIVE DATES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	<i>First-time Adoption of Philippine Financial Reporting Standards</i>			✓
	<i>Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
	<i>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</i>			✓
	<i>Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Government Loans</i>			✓
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: First-Time Adoption of PFRS</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)</i>			✓
	<i>Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters*</i>		✓	
PFRS 2	<i>Share-based Payment</i>			✓
	<i>Amendments to PFRS 2: Vesting Conditions and Cancellations</i>			✓
	<i>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2: Definition of Vesting Condition</i>			✓
	<i>Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*</i>		✓	
PFRS 3 (Revised)	<i>Business Combinations</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: Accounting for Contingent Consideration in a business combination</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: Scope of Exception for Joint Ventures</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 4	<i>Insurance Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
	<i>Amendments to PFRS 4: Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*</i>		✓	
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: Changes in methods of disposal</i>			✓
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>			✓
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</i>	✓		
	<i>Amendments to PFRS 7: Disclosures - Transfers of Financial Assets</i>			✓
	<i>Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
	<i>Amendments to PFRS 7: Hedge Accounting Application</i>		✓	
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements</i>			✓
PFRS 8	<i>Operating Segments</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the reportable segments' assets to the entity's assets</i>			✓
PFRS 9	<i>Financial Instruments (2014)*</i>		✓	
PFRS 10	<i>Consolidated Financial Statements</i>			✓
	<i>Amendments to PFRS 10: Consolidated Financial Statement: Transition Guidance</i>			✓
	<i>Amendments to PFRS 10: Transition Guidance and Investment Entities</i>			✓
	<i>Amendments to PFRS 10: Sales or contributions of assets between an investor and its associate/joint venture*</i>		✓	
	<i>Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	<i>Joint Arrangements</i>			✓
	<i>Amendments to PFRS 1: Joint Arrangements: Transition Guidance</i>			✓
	<i>Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations</i>			✓
PFRS 12	<i>Disclosure of Interests in Other Entities</i>			✓
	<i>Amendments to PFRS 12: Disclosure of Interests in Other Entities: Transition Guidance</i>			✓
	<i>Amendments to PFRS 12: Transition Guidance and Investment Entities</i>			✓
	<i>Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception</i>			✓
	<i>Amendment to PFRS 12: Clarification of the scope of the standard</i>			✓
PFRS 13	<i>Fair Value Measurement</i>	✓		
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: Fair Value Measurement (Amendments to the Basis of Conclusions only, with consequential amendments to the Bases of Conclusions of other standards)</i>	✓		
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: Portfolio Exception</i>			✓
PFRS 14	<i>Regulatory Deferral Accounts</i>			✓
PFRS 15	<i>Revenue from Contracts with Customers*</i>		✓	
	<i>Amendments to PFRS 15: Clarifications to PFRS 15*</i>		✓	
PFRS 16	<i>Leases*</i>		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	<i>Presentation of Financial Statements</i>	✓		
	<i>Amendment to PAS 1: Capital Disclosures</i>			✓
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendments to PAS 1: Presentation of Items of Other Comprehensive Income</i>	✓		
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: Comparative Information</i>	✓		
	<i>Amendments to PAS 1: Disclosure Initiative</i>	✓		
PAS 2	<i>Inventories</i>			✓
PAS 7	<i>Statement of Cash Flows</i>	✓		
	<i>Amendments to PAS 7: Disclosure Initiative</i>	✓		
PAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		
PAS 10	<i>Events after the Reporting Period</i>	✓		
PAS 11	<i>Construction Contracts</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, Servicing Equipment			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendments to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits (2011)			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: Discount rate: regional market issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Transition Guidance and Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sales or contributions of assets between an investor and its associate/joint		✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	venture*			
	Amendments to PAS 28: <i>Investment Entities: Applying the Consolidation Exception</i>			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PAS 28: <i>Measuring an associate or joint venture at fair value*</i>		✓	
PAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
PAS 32	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	Amendments to PAS 32 and PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	Amendment to PAS 32: <i>Classification of Rights Issues</i>			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: <i>Tax Effect of Equity Distributions</i>			✓
	Amendments to PAS 32: <i>Offsetting Financial Assets and Financial Liabilities</i>	✓		
PAS 33	<i>Earnings per Share</i>	✓		
PAS 34	<i>Interim Financial Reporting</i>			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: <i>Interim Reporting of Segment Assets</i>			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: <i>Disclosure of information 'elsewhere in the interim financial report'</i>			✓
PAS 36	<i>Impairment of Assets</i>	✓		
	Amendments to PAS 36: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>			✓
PAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓		
PAS 38	<i>Intangible Assets</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: <i>Revaluation Method - Proportionate Restatement of Accumulated Amortization</i>	✓		
	Amendments to PAS 38: <i>Clarification of Acceptable Methods of Amortization</i>	✓		
PAS 39	<i>Financial Instruments: Recognition and Measurement</i>	✓		
	Amendments to PAS 39: <i>Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>			✓
	Amendments to PAS 39: <i>Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>			✓
	Amendments to PAS 39: <i>The Fair Value Option</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: <i>Financial Guarantee Contracts</i>			✓
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets</i>			✓
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets – Effective Date and Transition</i>			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: <i>Embedded Derivatives</i>			✓
	Amendment to PAS 39: <i>Eligible Hedged Items</i>			✓
	Amendment to PAS 39: <i>Novation of Derivatives and Continuation of Hedge Accounting</i>			✓
	Amendment to PAS 39: <i>Hedge Accounting Application</i>			✓
PAS 40	<i>Investment Property</i>			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: <i>Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property</i>			✓
	Amendments to PAS 40: <i>Transfers of Investment Property*</i>			✓
PAS 41	<i>Agriculture</i>			✓
	Amendments to PAS 41: <i>Agriculture: Bearer Plants</i>			✓
Philippine Interpretations				
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>			✓
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: <i>Embedded Derivatives</i>			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	<i>Service Concession Arrangements</i>			✓
IFRIC 13	<i>Customer Loyalty Programmes</i>			✓
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓
	Amendments to Philippine Interpretations IFRIC-14: <i>Prepayments of a Minimum Funding</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	<i>Requirement</i>			
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>			✓
IFRIC 18	<i>Transfers of Assets from Customers</i>			✓
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
IFRIC 21	<i>Levies</i>			✓
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration*</i>		✓	
SIC-7	<i>Introduction of the Euro</i>			✓
SIC-10	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
SIC-15	<i>Operating Leases - Incentives</i>			✓
SIC-25	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
SIC-27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>			✓
SIC-29	<i>Service Concession Arrangements: Disclosures</i>			✓
SIC-31	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓
SIC-32	<i>Intangible Assets - Web Site Costs</i>			✓
PIC Q&A No. 2006-01	<i>Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts</i>			✓
PIC Q&A No. 2006-02	<i>Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements</i>			✓
PIC Q&A No. 2007-03	<i>Valuation of Bank Real and Other Properties Acquired (ROPA)</i>			✓
PIC Q&A No. 2008-01	<i>Rate Used in Discounting Post-employment Benefit Obligations</i>			✓
PIC Q&A No. 2009-01	<i>Financial Statements Prepared on a Basis Other than Going Concern</i>			✓
PIC Q&A No. 2010-01	<i>Rate Used in Determining the Fair Value of Government Securities in the Philippines</i>	✓		
PIC Q&A No. 2010-02	<i>Basis of Preparation of Financial Statements</i>	✓		
PIC Q&A No. 2010-	<i>Current/non-current Classification of a Callable Term Loan</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS	Adopted	Not Adopted	Not Applicable
03			
PIC Q&A No. 2011-02	<i>Common Control Business Combinations</i>		✓
PIC Q&A No. 2011-03	<i>Accounting for Inter-company Loans</i>		✓
PIC Q&A No. 2011-04	<i>Costs of Public Offering of Shares</i>		✓
PIC Q&A No. 2011-05	<i>Fair Value or Revaluation as Deemed Cost</i>		✓
PIC Q&A No. 2011-06	<i>Acquisition of Investment Properties – Asset Acquisition or Business Combination?</i>		✓
PIC Q&A No. 2012-01	<i>Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements</i>		✓
PIC Q&A No. 2012-02	<i>Cost of a New Building Constructed on Site of a Previous Building</i>		✓
PIC Q&A No. 2013-03 (Revised)	<i>Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law</i>		✓
PIC Q&A No. 2015-01	<i>Conforming Changes to PIC Q&As - Cycle 2015</i>		✓
PIC Q&A No. 2016-02	<i>Accounting treatment of club shares</i>		✓
PIC Q&A No. 2016-04	<i>Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts</i>		✓

**These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2017.*

