

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 7 3 9 6 3 0

Company Name

S U N L I F E P R O S P E R I T Y A C H I E V E R

F U N D 2 0 3 8 I N C .

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

S U N L I F E C E N T R E 5 T H A V 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

Department requiring the report

C R M D

Secondary License Type, If Applicable

N/A

### COMPANY INFORMATION

Company's Email Address

[sunlife\\_sec\\_communications@sunlife.com](mailto:sunlife_sec_communications@sunlife.com)

Company's Telephone Number/s

8555-8888

Mobile Number

0999-991-7178

No. of Stockholders

6

Annual Meeting  
Month/Day

Every Fourth Wednesday of June

Fiscal Year  
Month/Day

12/31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

CANDY S. ESTEBAN

Email Address

[Candy.Esteban@sunlife.com](mailto:Candy.Esteban@sunlife.com)

Telephone Number/s

555-8888

Mobile Number

N/A

Contact Person's Address

SUN LIFE CENTRE, 5TH AVE. 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

**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.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.  
(An Open-end Investment Company)  
Sun Life Centre, 5<sup>th</sup> 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 Prosperity Achiever Fund 2038, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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

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

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

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

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



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





## Report on Other Legal and Regulatory Requirements

### *Report on the Supplementary Information Required by Bureau of Internal Revenue*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 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 November 12, 2018 to July 16, 2021

SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Joeffrey Mark P. Ferrer

Partner

CPA License No. 0115793

SEC A.N. 1767-A, issued on August 27, 2019; effective until August 26, 2022, Group A

TIN 211965340

BIR A.N. 08-002552-058-2018, issued on October 30, 2018; effective until October 30, 2021

PTR No. A-5047280, issued on January 4, 2021, Taguig City

Taguig City, Philippines

March 9, 2021





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

The Management of Sun Life Prosperity Achiever Fund 2038, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Financial Reporting Standards 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.

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

Navarro Amper & Co., the independent auditor appointed by the shareholders for the periods December 31, 2020 and 2019, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the shareholders has expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: *Benedicto C. Sison*  
**Benedicto C. Sison**, Chairman of the Board

Signature: *Maria Josefina A. Castillo*  
**Maria Josefina A. Castillo**, President

Signature: *Candy S. Esteban*  
**Candy S. Esteban**, Treasurer

Signed this 9<sup>th</sup> day of March 2021

Subscribed and sworn to me before this MAR 09 2021 day of 2021 at CITY OF MAKATI, affiants exhibiting to me competent evidence of identity, as follows:

Name	ID No.	Issued on/at
Benedicto C. Sison	Passport No. P2684321A	04-11-17/DFA-Manila
Maria Josefina A. Castillo	Passport No. P2050182A	02-28-17/DFA-Manila
Candy S. Esteban	Driver's License N02-95-277891	05-03-2018/Quezon City

**WITNESS MY HAND AND SEAL** on the date and place above written.

Doc. No. 81  
Page No. 18  
Book No. 1111  
Series of 2021

**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public, City of Makati  
Extended Until June 30, 2021  
Reg. B.M. No. 3795  
IBP No. 05729-Lifetime Member  
MCLC Compliance No. VI-0024312  
Appointment No. M 183-(2019-2020)  
PTR No. 8531011 Jan. 4, 2021  
Makati City Roll No. 40091  
101 Ilhan Ave. Campos Huenda Bldg.  
City of Makati, Makati City

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
(An Open-end Investment Company)

**STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2020 and 2019**

	Notes	December 31, 2020		December 31, 2019	
		Shareholders	Unitholders	Shareholders	Unitholders
<b>ASSET</b>					
Cash in banks	6	P 696,780	P 1,481,034	P 715,898	P 1,359,281
Financial assets at fair value through profit or loss	7	51,002,805	50,832,341	49,744,059	50,027,264
Accrued interest receivable	7	-	174,270	-	151,800
Dividend receivable	7	-	19,070	-	23,000
		<b>P51,699,585</b>	<b>P52,506,715</b>	P50,459,957	P51,561,345
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	8	P -	P 141,514	P -	P 104,492
Payable to fund manager	9	-	62,490	19,759	123,869
Total Current Liabilities		-	204,004	19,759	228,361
<b>Equity</b>					
Net assets attributable to shareholders		51,699,585		50,440,198	
Net assets attributable to unit holders			52,302,711		51,332,984
Total Equity	10	51,699,585	52,302,711	50,440,198	51,332,984
		<b>P51,699,585</b>	<b>P52,506,715</b>	P50,459,957	P51,561,345
<b>Net Asset Value Per Share and Per Unit</b>	11	<b>P 1.0340</b>	<b>P 0.9492</b>	P 1.0088	P 0.9964

See Notes to Financial Statements.

The Company was incorporated on January 10, 2018 and started its commercial operations on January 28, 2019.

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**

(An Open-end Investment Company)

**STATEMENTS OF COMPREHENSIVE INCOME**

For the Periods Ended December 31, 2020, 2019 and 2018

	Notes	2020		2019		2018	
		Shareholders	Unitholders	Shareholders	Unitholders	Shareholders	Unitholders
<b>Investment Income - net</b>							
Net realized gains (losses) from investments	7	P -	(P 68,505)	P -	P161,829	P -	P -
Dividend income	7	-	632,017	-	685,920	-	-
Interest income	12	1,615	428,678	142,217	462,409	384,066	-
		1,615	992,190	142,217	1,310,158	384,066	-
<b>Investment Expenses</b>							
Commission		-	17,534	-	132,426	-	-
Transactions costs		-	725	-	4,728	-	-
		-	18,259	-	137,154	-	-
<b>Net Investment Income</b>		1,615	973,931	142,217	1,173,004	384,066	-
<b>Operating Expenses</b>							
Management fees	9	-	394,724	-	409,322	-	-
Distribution fees	9	-	318,326	-	330,098	-	-
Directors' fees	9	-	315,070	-	273,706	376,594	-
Professional fees		-	154,533	-	128,155	340,198	-
Taxes and licenses		-	53,221	-	88,659	133,859	-
Custodian fees		-	32,171	-	37,362	-	-
Printing and Supplies		-	319	-	7,812	59,472	-
Miscellaneous fees		651	4,476	1,501	18,914	13,264	-
		651	1,272,840	1,501	1,294,028	923,387	-
<b>Profit (Loss) Before Net Unrealized Gains</b>		964	(298,909)	140,716	(121,024)	(539,321)	-
<b>Net Unrealized Gains (Losses) on Investments</b>	7	1,258,746	(1,903,443)	944,059	40,838	-	-
<b>Profit (Loss) Before Tax</b>		1,259,710	(2,202,352)	1,084,775	(80,186)	(539,321)	-
<b>Income Tax Expense</b>	15	323	100,708	28,443	103,633	76,813	-
<b>Net Profit (Loss) Attributable to Shareholders</b>		1,259,387	-	1,056,332	-	(616,134)	-
<b>Net (Loss) Attributable to Unit Holders</b>		-	(2,303,060)	-	(183,819)	-	-
<b>Total Comprehensive Income (Loss) for the Period</b>		P1,259,387	(P2,303,060)	P1,056,332	(P183,819)	(P616,134)	P -
<b>Basic Earnings (Loss) Per Share and Per Unit</b>	11	P 0.0252	(P 0.044)	P 0.0211	(P 0.004)	(P 0.012)	P -
<b>Diluted Earnings (Loss) Per Share and Per Unit</b>	11	P 0.0252	(P 0.044)	P 0.0211	(P 0.004)	(P 0.012)	P -

See Notes to Financial Statements.

The Company was incorporated on January 10, 2018 and started its commercial operations on January 28, 2019.

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**

(An Open-end Investment Company)

**STATEMENTS OF CHANGES IN EQUITY****For the Periods Ended December 31, 2020, 2019 and 2018**

Shareholders					
	Note	Share Capital	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Issuance of share capital during the period		P500,000	P49,500,000	P -	P50,000,000
Total comprehensive loss for the period		-	-	(616,134)	(616,134)
Balance, December 31, 2018	10	500,000	49,500,000	(616,134)	49,383,866
Total comprehensive income for the period		-	-	1,056,332	1,056,332
Balance, December 31, 2019	10	500,000	49,500,000	440,198	50,440,198
Total comprehensive income for the period		-	-	<b>1,259,387</b>	<b>1,259,387</b>
<b>Balance, December 31, 2020</b>	<b>10</b>	<b>P500,000</b>	<b>P49,500,000</b>	<b>P1,699,585</b>	<b>P51,699,585</b>

*See Notes to Financial Statements.***For the Periods Ended December 31, 2020 and 2019**

Unitholders					
	Note	Principal Capital	Deficit	Total	
Balance, January 1, 2019		P -	P -	P -	-
Transactions with unitholders:					
Contributions	10	51,516,803	-		51,516,803
Total comprehensive loss for the period		-	(183,819)		(183,819)
Balance, December 31, 2019		51,516,803	(183,819)		51,332,984
Transactions with unitholders:					
Contributions	10	<b>3,349,691</b>	-		<b>3,349,691</b>
Withdrawals		<b>(76,904)</b>	-		<b>(76,904)</b>
Total comprehensive loss for the period		-	<b>(2,303,060)</b>		<b>(2,303,060)</b>
<b>Balance, December 31, 2020</b>		<b>P54,789,590</b>	<b>(P2,486,879)</b>		<b>P52,302,711</b>

*See Notes to Financial Statements.**The Company was incorporated on January 10, 2018 and started its commercial operations on January 28, 2019.*



**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**

(An Open-end Investment Company)

**STATEMENTS OF CASH FLOWS**

For the Periods Ended December 31, 2020, 2019 and 2018

	Notes	2020		2019		2018	
		Shareholders	Unitholders	Shareholders	Unitholders	Shareholders	Unitholders
<b>Cash Flows from Operating Activities</b>							
Profit (Loss) before tax		<b>P1,259,710</b>	<b>(P2,202,352)</b>	P 1,084,775	(P 80,186)	(P 539,321)	-
Net unrealized losses (gains) on investments	7	<b>(1,258,746)</b>	<b>1,903,443</b>	(944,059)	(40,838)	-	-
Interest income	12	<b>(1,615)</b>	<b>(428,678)</b>	(142,217)	(462,409)	(384,066)	-
Net realized losses (gains) on investments	7	-	<b>68,505</b>	-	(161,829)	-	-
Dividend income	7	-	<b>(632,017)</b>	-	(685,920)	-	-
Operating cash flows before working capital changes		<b>(651)</b>	<b>(1,291,099)</b>	(1,501)	(1,431,182)	(923,387)	-
Increase (decrease) in:							
Payable to fund manager	9	<b>(19,759)</b>	<b>(61,379)</b>	(926,000)	123,869	945,759	-
Accrued expenses and other payables		-	<b>37,022</b>	(77,078)	104,492	77,078	-
Cash generated from (used in) operations		<b>(20,410)</b>	<b>(1,315,456)</b>	(1,004,579)	(1,202,821)	99,450	-
Acquisitions of financial assets at fair value through profit or loss	7	-	<b>(7,055,476)</b>	(48,800,000)	(53,936,411)	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	7	-	<b>4,278,451</b>	-	4,111,814	-	-
Interest received	12	<b>1,615</b>	<b>406,208</b>	142,217	310,609	384,066	-
Dividend received		-	<b>635,947</b>	-	662,920	-	-
Income taxes paid		<b>(323)</b>	<b>(100,708)</b>	(28,443)	(103,633)	(76,813)	-
Net cash generated from (used in) operating activities		<b>(19,118)</b>	<b>(3,151,034)</b>	(49,690,805)	(50,157,522)	406,703	-
<b>Cash Flows from Financing Activities</b>							
Proceeds from issuance of share capital	10	-	-	-	-	50,000,000	-
Contributions from unitholders	10	-	<b>3,349,691</b>	-	51,516,803	-	-
Withdrawals of unitholders	10	-	<b>(76,904)</b>	-	-	-	-
Net cash generated from financing activities		-	<b>3,272,787</b>	-	51,516,803	50,000,000	-
Net increase (decrease) in cash in banks		<b>(19,118)</b>	<b>121,753</b>	(49,690,805)	1,359,281	50,406,703	-
Cash in banks, Beginning		<b>715,898</b>	<b>1,359,281</b>	50,406,703	-	-	-
<b>Cash in Banks, End</b>		<b>P 696,780</b>	<b>P1,481,034</b>	P 715,898	P 1,359,281	P50,406,703	-

See Notes to Financial Statements.

The Company was incorporated on January 10, 2018 and started its commercial operations on January 28, 2019.

## **SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**

(An Open-end Investment Company)

---

### **NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2020 AND 2019 AND FOR THE PERIODS ENDED DECEMBER 31, 2020, 2019 AND 2018**

#### **1. CORPORATE INFORMATION**

Sun Life Prosperity Achiever Fund 2038, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 10, 2018. The Company is a registered open-end investment company under the Investment Company Act (Republic Act "R.A." No. 2629) and the Securities Regulation Code (R.A. No. 8799), formerly known as the Revised Securities Act (B.P. No. 178). It is a multi-asset/asset allocation fund which aims to maximize the returns of investors based on a pre-determined target date (Year 2038) that aligns properly with the investment horizon of its investors. Due to a relatively longer time horizon, the Fund will be weighted heavily on equity securities and other high-yielding instruments, with an underweight position in fixed income securities to generate higher returns for investors. As the Fund draws closer to its pre-determined target date, allocation to equity securities and other high-yielding instruments is gradually shifted to fixed income securities, to reduce the overall risk and volatility.

The Company appointed Sun Life Asset Management Company, Inc. (SLAMCI), an investment management company incorporated in the Philippines and a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI), as its fund manager, adviser, administrator, distributor and transfer agent and provider of management, distribution and all required operational services, as disclosed in Note 9.

As at December 31, 2020 and 2019, SLAMCI owns 99.99% of the Company's share capital attributable to shareholders. The Company's registered office address and principal place of business is at the 2<sup>nd</sup> Floor, Sun Life Centre, 5<sup>th</sup> Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

#### **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 Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy (BOA), and adopted by the SEC.

##### **Basis of Preparation and Presentation**

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial assets measured at fair value and certain financial instruments carried at amortized cost.

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

##### **Functional and Presentation Currency**

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

### 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Adoption of New and Revised Accounting Standards Effective in 2020

The Company adopted all accounting standards and interpretations effective as at December 31, 2020. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Company's financial statements and are as follows:

Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of 'material':

*"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

The adoption of this amendment has no effect on the Company's financial statements as of December 31, 2020 as the financial and non-financial information are properly disclosed in the financial statements.

#### New Accounting Standards Effective after the Reporting Period Ended December 31, 2020

The Company will adopt the following standards when these become effective:

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

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

#### *Amendments to PFRS 3, References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The future adoption of the amendment will have no effect on the Company's financial statements as the Company is not in the process of and has no plan to enter into business combination.

#### *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The future adoption of the amendment will have no effect on the Company's financial statements as the Company is not in the process and has no plan to acquire such investments.

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

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

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

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

The Company will continue its assessment and will finalize the same upon the effectivity of this amendment.

#### *Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2, Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

The future adoption of the amendment will have no effect on the Company's financial statements as the Company does not have property, plant and equipment recorded in its financial statements.

#### *Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening



balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

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

#### *Annual Improvements to PFRS Standards 2018-2020 Cycle*

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

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

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

##### *Amendments to PFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities*

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

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

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

##### *Amendments to PFRS 16 – Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

##### *Amendments to PAS 41 – Taxation in fair value measurements*

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

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

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

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have subsidiary as first-time adopter; does not derecognize any liabilities, does not have lease contracts and leasehold improvements and does not have biological assets covered by PAS 41 that need to exclude its cash flows for taxation on its financial statements.

**New Accounting Standards Effective in 2020 - Adopted by FRSC but pending for approval by the BOA**

PIC Q&A No. 2019-04, *Conforming Changes to PIC Q&As – Cycle 2019*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, Leases, for the first time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, Investment Property, has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of depreciation of right-of-use asset as part of construction costs of a building
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2018-05: PAS 37 - Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

## PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	This PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, Leases, and Philippine Interpretation SIC-15, Operating Leases— Incentives
PIC Q&A No. 2018-07: PAS 27 and PAS 28 - Cost of an associate, joint venture, or subsidiary in separate financial statements	This PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision - Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27 Separate Financial Statements) in January 2019.

The effective date of the amendments is included in the affected interpretations.

The future adoption of the interpretations will have no effect on the Company's financial statements as the Company does not have any leased properties and assets classified as investment properties or investment in associate, joint venture, or subsidiary.

### *PIC Q&A No. 2019-06, Accounting for Step Acquisition of a Subsidiary in a Parent*

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach  
Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.
- Accumulated cost approach  
Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company is not engaged in acquisition of a subsidiary.

### *PIC Q&A No. 2019-07, Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLA)*

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFIS) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the Circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

- a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.
- b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFI-S Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLA's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS32, Financial Instruments: Presentation.

The interpretation is effective for periods beginning on December 11, 2019, and should be applied retrospectively.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company is not classified as a non-bank financial institution under non-stock savings and loan associations.

PIC Q&A No. 2019-08, *PFRS 16, Leases - Accounting for Asset Retirement or Restoration Obligation ("ARO")*

The interpretation clarifies the recognition of ARO under the following scenarios:

1) Accounting for ARO at lease commencement date

The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related right-of-use (ROU) asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term.

2) Change in ARO after initial recognition

2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

a. *Modified retrospective approach* - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date.

Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.

b. *Full retrospective approach* - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not have leased property with any related ARO.

PIC Q&A No. 2019-09, *Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects*

The interpretation aims to provide guidance on the following:

- How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and
- How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not have prepaid rent or rent liability recognized for leased property.

PIC Q&A No. 2019-10, *Accounting for variable payments with rent review*

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not enter into any lease agreement.

PIC Q&A No. 2019-11, *Determining the current portion of an amortizing loan/lease liability*

The interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not enter into any lease agreement.

PIC Q&A No. 2019-12, *PFRS 16, Leases – Determining the lease term*

The interpretation provides guidance how an entity determine the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term.



To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lessee cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not enter into any lease agreement.

*PIC Q&A No. 2019-13, PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance how an entity determine the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not enter into any lease agreement.

*PIC Q&A No. 2020-01, Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

### PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020

### PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive)

The effective date of the amendments is included in the affected interpretations.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company is not in the process of and has no plan to enter into business combination.

PIC Q&A No. 2020-02, Conclusion on PIC QA 2018-12E: *On certain materials delivered on site but not yet installed*

The interpretation clarifies the treatment of uninstalled materials in the measurement of the progress of the performance obligation.

The PIC has concluded that in recognizing revenue using a cost-based input method, customized materials are to be included in the measurement of the progress of work while materials that are not customized should be excluded. This is because if the materials are customized, the real estate developer is not just providing a simple procurement service to the customer as it is significantly involved in the design and details of the manufacture of the materials. As such, the costs incurred on the customized materials, even if still uninstalled, are to be included in the measurement of progress to properly capture the efforts expended by the real estate developer in completing its performance obligation.

This interpretation is effective for periods beginning on or after November 6, 2020.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company does not engaged in real estate developments and contracts.

*PIC Q&A No. 2020-03, Accounting of the difference when the percentage of completion is ahead of the buyer's payment*

This interpretation provides two views on the accounting treatment for the excess of the revenue recognized based on percentage of completion over the buyer's payment.

- View number 1

The difference is recorded as a contract asset as PFRS 15.107 states that if an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable.

- View number 2

The difference is recorded as a receivable as PFRS 15.108 states that a receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. An entity would recognize a receivable if it has a present right to payment even though that amount may be subject to refund in the future.

This interpretation is effective for periods beginning on or after September 30, 2020.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company does not have contracts or agreements accounted for using percentage of completion method.

*PIC Q&A No. 2020-04, PFRS 15 - Step 3 - Requires an Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies the question on whether a significant financing component exists if there is a mismatch between the Percentage-of-Completion (POC) and the schedule of payments.

There is no significant financing component, if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Also, as provided under paragraph 63 of PFRS 15, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and SFC is not expected to be significant.

This interpretation is effective for periods beginning on or after November 11, 2020.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company does not have contracts or agreements accounted for using percentage of completion method.

PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

The interpretation has provided three approaches for the accounting for cancellation of real estate sales and the repossession of the property, provided that an entity applies it consistently:

- The repossessed property is recognized at its fair value less cost to repossess
- The repossessed property is recognized at its fair value plus repossession cost
- The cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable).

This interpretation is effective for periods beginning on or after November 11, 2020.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company does not engaged in real estate developments and contracts.

PIC Q&A No. 2020-06, *PFRS 16 Accounting for payments between and among lessors and lessees*

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

	Transaction	Treatments in the financial statements of			Basis
		Lessor	Old lessor	New Lessee	
1	Lessor pays old lessee - lessor intends to renovate the building	i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term. ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs under PAS 16 or PAS 40.	i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of-use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease. ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-of use-asset by referring to the revised lease		<ul style="list-style-type: none"> <li>• PFRS 16; par. 87</li> <li>• PAS 16; pars. 6, 16-17</li> <li>• PAS 40; par. 21</li> <li>• PFRS 16; par. 45</li> <li>• Illustrative example 18 issued by IASB</li> <li>• PAS 16; pars. 56-57</li> </ul>

			payments (net of any amount to be received from the lessor) and using a revised discount rate. iii. Revisit the amortization period of right-of-use asset and any related leasehold improvement following the shortening of the term.		
2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	<p>i. Finance lease:</p> <ul style="list-style-type: none"> <li>• If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease.</li> <li>• If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease.</li> </ul> <p>ii. Operating lease add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.</p>		<p>i. Record as a deduction to the cost of the right-of-use asset.</p> <p>ii. Lease incentive receivable is also included as reduction in measurement of lease liability.</p> <p>iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.</p>	<ul style="list-style-type: none"> <li>• PAS 16; par. 68</li> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par. 83</li> <li>• PFRS 16; par. 24</li> </ul>



4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		<p>i. Same as in fact pattern 1C.</p> <p>ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold improvement in accordance with PAS 16 or PAS 40.</p>	<ul style="list-style-type: none"> <li>• Same as in fact pattern 1C.</li> <li>• PAS 40; par. 21</li> <li>• PAS 16; pars. 16-17</li> </ul>
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or another systematic basis.	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; par. 18</li> </ul>
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately.	<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; Appendix A</li> </ul>
7	New lessee pays lessor to secure the right to obtain a lease agreement	<p>i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets</p> <p>ii. If operating lease,</p>		Recognize as part of the cost of the right-of-use asset.	<p>PFRS 16; par. 24</p> <ul style="list-style-type: none"> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par. 81</li> </ul>

		recognize as deferred revenue and amortize over the lease term on a straight-line basis or another systematic basis.			
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right-of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of-use asset.	<ul style="list-style-type: none"> <li>• PFRS 16; Appendix A</li> <li>• PFRS 16; Example 13 in par. IE5</li> <li>• PFRS 16; par. 24</li> </ul>

This interpretation is effective for periods beginning on or after December 9, 2020.

The future adoption of the interpretation will have no effect on the Company's financial statements as the Company does not enter into lease contracts or agreements.

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

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

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

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

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

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

- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

The management assessed that CREATE bill, when it is passed into law, will not have an impact in the tax expense for the year ended December 31, 2020 since the Company's income are all subjected to final taxes.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial assets**

##### **Initial recognition and measurement**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

##### **Classification and Subsequent Measurement**

The Company classifies its financial assets in the following measurement categories:

- FVTPL
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost

As at December 31, 2020 and 2019, the Company does not have financial assets classified as FVTOCI.

Classification of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flows of the financial assets.

A financial asset is to be measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument represent solely payment of principal and interest (SPPI).

All other debt and equity instruments must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of comprehensive income, except for equity investments that are not held for trading, which may be recorded in the statement of comprehensive income or in reserves (without subsequent recycling to profit or loss).

##### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortized cost. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or

impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVTPL. Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within other gains/(losses) in period in which it arises. Interest income from these financial assets is included in finance income.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

#### *Amortized cost and effective interest method*

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

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

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

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than POCI financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

## Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVTPL, except where the Company's Management has elected, at initial recognition, to irrevocably designate an equity instrument at FVTOCI. The Company's policy is to designate equity investments as FVTOCI when those investments are held for the purposes other than to generate investment returns. When the election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognized in net realized gains (losses) on investments in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

As at December 31, 2020 and 2019, the Company does not have financial assets at FVTOCI.

### *Impairment of financial assets*

The Company recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

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

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

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



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

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

#### *Significant increase in credit risk*

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

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

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

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

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

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

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

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

- it has a low risk of default;
- the borrower is considered, in the short term, to have a strong capacity to meet its obligations; and
- the Company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfill its obligations.

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

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

#### *Default*

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

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

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

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

#### *Credit-impaired financial assets*

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

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

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at

amortized cost or FVOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

#### *Write-off*

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

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

#### *Measurement and recognition of expected credit losses*

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

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

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

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

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

#### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

#### *Derecognition*

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

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

## **Financial Liabilities and Equity Instruments**

### *Classification as debt or equity*

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

### Financial liabilities

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

### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Company assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

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

### *Financial liabilities measured subsequently at amortized cost*

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

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

The Company's financial liabilities classified under this category include accrued expenses and other payables and payable to fund manager.

#### *Offsetting 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.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

#### *Derecognition of financial liabilities*

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

#### Equity instruments

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

#### *Share capital*

Share capital consisting of ordinary shares is 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. Any excess of proceeds from issuance of shares over its par value is recognized as additional paid-in capital.

#### *Retained earnings (deficit)*

Retained earnings (deficit) represent accumulated profit (loss) attributable to equity holders of the Company after deducting dividends declared. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

#### *Units of Participation*

Represents an undivided interest in the pool of investments assets earmarked for this type of security issued by the Company.

#### *Repurchase, disposal and reissuance of share capital (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognized as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognized as increase in equity, and the resulting surplus or deficit on the transaction is presented as additional paid-in capital.

### *Deposit for future stock subscriptions*

Deposit for future stock subscriptions is recorded at historical cost. According to Financial Reporting Bulletin (FRB) No. 6 as issued by SEC, it is classified as equity when all of the following criteria are met:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

Deposit for future stock subscriptions is classified as liability, when the above criteria are not met.

### **Contingent Liabilities and Assets**

Contingent liabilities and assets 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 entity.

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

Contingent assets are not recognized, but are disclosed only when an inflow of economic benefits is probable. When the realization of income is virtually certain, asset should be recognized.

### **Revenue Recognition**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

### Transaction price

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

### Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established, usually at ex-dividend rate, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

### 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

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

### Fair value gains or losses

Gains or losses arising from changes in fair values of investments are disclosed under the policy on financial assets.

### **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; (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. Investment expenses are transaction costs incurred in the purchase and sale of investments. Operating expenses are costs attributable to administrative and other business expenses of the Company including management fees and custodianship fees.

### **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 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 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 the current tax, final tax and deferred tax expense.

### Current tax

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

### Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks and fixed-income securities and final taxes withheld on proceeds from sale of listed equity securities.

### Deferred tax

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

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

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

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

### Current and deferred taxes for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred taxes are also recognized in OCI or directly in equity, respectively.

## **Earnings (Loss) per Share/Unit**

The Company computes its basic earnings (loss) per share/unit by dividing profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares/units outstanding during the period.

For the purpose of calculating diluted earnings (loss) per share/unit, profit or loss for the year attributable to ordinary equity holders of the Company and the weighted average number of shares/units outstanding are adjusted for the effects of deposits for future stock subscriptions which are dilutive potential ordinary shares/units.



### **Net Asset Value per Share (NAVPS)**

The Company computes its NAVPS by dividing the total net asset value as at the end of the reporting period by the number of issued and outstanding shares and shares to be issued on deposits for future stock subscriptions.

### **Net Asset Value per Unit (NAVPU)**

The Company computes its NAVPU by dividing the total net asset value attributable to unit holders as at the end of the reporting period by the number of issued and outstanding units.

### **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.

## **5. 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 Judgments in Applying Accounting Policies**

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

#### Business model assessment

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

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

As at December 31, 2020 and 2019, the Company's financial assets measured at FVTPL attributable to shareholders amounted to P51,002,805 and P49,744,059, respectively, and attributable to unit holders amounted to P50,832,341 and P50,027,264, respectively, as disclosed in Note 7.

Financial assets at amortized cost attributable to shareholders amounted to P696,780 and P715,898, respectively, and attributable to unit holders amounted to P1,674,374 and P1,534,081 as at December 31, 2020 and 2019, respectively, composed of cash in banks, accrued interest receivables and dividends receivables, disclosed in Note 6 and 7, respectively.

#### Significant increase of credit risk

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

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 17.

As at December 31, 2020 and 2019, the Company's financial instruments measured at amortized cost has not experienced a significant increase in credit risk.

#### Models and assumptions used

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

The Company's model and assumptions used in measuring the fair value of financial assets and estimating ECL are disclosed in Notes 14 and 17, respectively.

#### Puttable shares designated as equity instruments

The Company's share capital met the specified criteria to be presented as equity. The Company designated its redeemable share capital as equity instruments since the Company's share capital met the criteria specified in PAS 32, Financial Instruments: Presentation, to be presented as equity.

A puttable financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has met all the following features:

- a. it entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets;
- b. it is in the class of instruments that is subordinate to all other classes of instruments;
- c. all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- d. apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments; and
- e. the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net

assets of the entity over the life of the instrument (excluding any effects of the instrument).

As at December 31, 2020 and 2019, the recognized amount of share capital attributable to shareholders representing puttable share in the statements of financial position amounted to P500,000 and P500,000, respectively, while the amount of contributions attributable to unit holders in the statements of financial position amounted to P54,789,590 and P51,516,803, respectively, as disclosed in Note 10.

### **Key Sources of Estimation Uncertainty**

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

#### Probability of default (PD)

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

As at December 31, 2020 and 2019, the Company assessed a nil PD for all of its financial assets measured at amortized cost.

The assumptions used by the Company in estimating PD is disclosed in Note 17.

#### Loss given default (LGD)

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

The Company uses portfolio averages from external estimates sourced out from Standard and Poor's (S&P) as the LGD estimates. The categorization of LGD estimates per financial asset measured at amortized cost is disclosed in Note 17.

#### Estimating loss allowance for ECL

The measurement of the ECL allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 17 Credit Risk - ECL measurement, which also sets out the key sensitivities of the ECL to changes in these elements.

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

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

The Company's ECL assessment on the financial assets measured at amortized cost is disclosed in Note 17.

#### Deferred tax asset

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 asset to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit that will allow all or part of its deferred tax asset to be utilized.

Based on Management's expectation of the Company's future taxable income, the Company did not recognize deferred tax assets as at December 31, 2020 and 2019, as disclosed in Note 15.

Determining the fair value of investments in debt securities classified as financial assets at FVTPL

The Company carries its investments in traded debt securities at fair value, which requires the use of accounting estimates and judgment. Since market interest rate is a significant component of fair value measurement, fair value would differ if the Company applied a different set of reference rates in the valuation methodology. Any change in the fair value of these financial assets would affect profit or loss and equity.

As at December 31, 2020 and 2019, the carrying amounts of investments in debt securities classified as financial assets at FVTPL amounted to P9,674,242 and P7,639,125, respectively, as disclosed in Note 7.

**6. CASH IN BANKS**

This account consists of:

	<b>2020</b>	2019
<b>Attributable to shareholders:</b>		
Cash in banks	<b>P 696,780</b>	P 715,898
<b>Attributable to unit holders:</b>		
Cash in banks	<b>P1,481,034</b>	P1,359,281

Cash in banks attributable to shareholders earned interest amounting to P1,615, P142,217 and P384,066 in 2020, 2019 and 2018, respectively, at an average rate of 0.43%, 0.25% and 0.25%, respectively, as disclosed in Note 12.

Cash in banks attributable to unit holders earned interest amounting to P864, P705 and nil at an average rate of 0.06%, 0.14% and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 12.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition.

Cash equivalents attributable to unit holders that were acquired and matured during the same year earned interest amounting to P1,964, P19,579 and nil at average rate of 0.14%, 2.10% and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 12.

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This account consists of:

	<b>Note</b>	<b>2020</b>	2019
<b>Attributable to shareholders:</b>			
Investment in mutual fund	<b>9</b>	<b>P51,002,805</b>	P49,744,059
<b>Attributable to unit holders:</b>			
Investments in listed equity securities		<b>P41,158,099</b>	P42,388,139
Investment in fixed-income securities		<b>9,674,242</b>	7,639,125
		<b>P50,832,341</b>	P50,027,264

Investment in mutual fund is an investment placed in Sun Life Prosperity Peso Starter Fund, Inc. (formerly Sun Life Prosperity Money Market Fund, Inc.) as disclosed in Note 9.

Investment in fixed income securities is composed of treasury notes while investments in listed equity securities are composed of listed equity shares.

The Company recognized dividend income from investments in listed equity securities attributable to unitholders amounting to P632,017, P685,920 and nil in 2020, 2019 and 2018, respectively. Dividends receivable attributable to unitholders amounted to P19,070 and P23,000 as at December 31, 2020 and 2019, respectively.

Interest income earned on fixed-income securities attributable to unitholders amounted to P425,850, P442,125 and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 12. Average interest rates earned on these investment are also disclosed in Note 12. Accrued interest receivable attributable to unitholders amounted to P174,270 and P151,800 as at December 31, 2020 and 2019, respectively.

Net gains (losses) on investments recognized in profit or loss arising from financial assets at FVTPL are as follows:

	2020	2019
<b>Attributable to Shareholders:</b>		
Net unrealized gains on investments	<b>P1,258,746</b>	P 944,059
<b>Attributable to Unitholders:</b>		
Net realized gains (losses) on investments in:		
Equity securities	<b>(P 334,990)</b>	(P 78,380)
Fixed-income securities	<b>266,485</b>	240,209
	<b>(68,505)</b>	161,829
Net unrealized gains (losses) on investments in:		
Equity securities	<b>(2,393,850)</b>	(1,095,129)
Fixed-income securities	<b>490,407</b>	1,135,967
	<b>(P1,903,443)</b>	40,838
	<b>(P1,971,948)</b>	P 202,667

The movements in the financial assets at FVTPL are summarized as follows:

	2020	2019
<b>Attributable to shareholders:</b>		
Balance, January 1	<b>P49,744,059</b>	P -
Additions	-	48,800,000
Disposal	-	-
Unrealized gains (losses)	<b>1,258,746</b>	944,059
Balance, December 31	<b>P51,002,805</b>	P49,744,059
<b>Attributable to unit holders:</b>		
Balance, January 1	<b>P50,027,264</b>	P -
Additions	<b>7,055,476</b>	53,936,411
Disposal	<b>(4,346,956)</b>	(3,949,985)
Unrealized gains (losses)	<b>(1,903,443)</b>	40,838
Balance, December 31	<b>P50,832,341</b>	P50,027,264

The following presents the breakdown of the maturity profile of the principal amount of the investment in fixed-income securities:

	2020	2019
<b>Attributable to Unitholders:</b>		
Due after ten years	<b>P7,400,000</b>	P6,500,000

## 8. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	2020	2019
<b>Attributable to Unitholders:</b>		
Professional fees	<b>P107,744</b>	P 76,613
Custodianship fees	<b>17,048</b>	11,186
Withholding taxes	<b>12,249</b>	11,978
Supervisory fees	<b>4,473</b>	4,715
	<b>P141,514</b>	P104,492

These payables are non-interest bearing and are normally settled within one year.

## 9. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with entities which are considered related parties under PAS 24, *Related Party Disclosures*.

The details of amounts and transactions with related parties attributable to shareholders are set out below.

Nature of transaction	Transactions during the period			Outstanding Payable		Terms	Condition	Note
	2020	2019	2018	2020	2019			
SLAMCI-Fund Manager								
Reimbursement of expenses	P -	P -	P546,793	P -	P19,759	Payable on demand; non-interest bearing; to be settled in cash	Unsecured; unguaranteed;	a
Key Management Personnel								
Directors' fees	-	-	376,594	-	-	Payable on demand; Settled in cash	Unsecured; Unguaranteed	b

As at December 31, 2020, below is the outstanding investment of the Company in Sun Life Prosperity Peso Starter Fund, Inc.:

	Note	2020		2019	
		Shares	Current Value	Shares	Current Value
<b>Attributable to shareholders</b>					
Investments in mutual fund	<b>7</b>	<b>39,335,805</b>	<b>P51,002,805</b>	39,335,805	P49,744,059

The details of amounts and transactions with related parties attributable to unit holders are set out below.

Nature of transaction	Transactions during the period			Outstanding Payable		Terms	Condition	Notes
	2020	2019	2018	2020	2019			
SLAMCI - Fund Manager								
Management, Distribution and Transfer fees	<b>P713,050</b>	P739,420	P -	<b>P 62,490</b>	P123,869	Non-interest bearing; Annual rate of 1.40% of average daily net assets; settled in cash on or before the 15 <sup>th</sup> day of the following month	Unsecured; Unguaranteed	a
Key Management Personnel								
Directors' fees	<b>315,070</b>	273,706	-	-	-	Payable on demand; Settled in cash	Unsecured; Unguaranteed	b
Entities Under Common Control								
Sun Life Grepa Financial, Inc.								
Purchase	<b>1,198,655</b>	-	-	-	-	Non-interest bearing; Settled in cash on the day of transaction	Unsecured	c
Sale	-	1,069,084	-	-	-			
Sun Life of Canada Philippines, Inc.								
Sale	<b>1,781,017</b>	1,206,046	-	-	-			

As at December 31, 2020 and 2019, SLAMCI subscribed 50,000,000 units to the Company representing 90.74% and 99.99% of net assets attributable to unit holders, respectively.

Details of the Company's related party transactions are as follows:

#### a. Investment Management

The Company appointed SLAMCI as its fund manager, adviser, administrator, distributor and transfer agent that provides management, distribution and all required operational services. Under the Management and Distribution Agreement (MDA), SLAMCI receives aggregate fees for these services at an annual rate of 1.25% (exclusive of VAT) of the net assets attributable to shareholders on each valuation day. Moreover, under the Transfer Agency Agreement, SLAMCI receives aggregate fees for these services at an annual rate of 0.15% of the net assets attributable to shareholders on each valuation day.

On September 22, 2020, the Company and SLAMCI amended its MDA and Transfer Agency Agreement based on the provisions of ICA 2018 IRR (Implementing Rules and Regulations of the Investment Company Act 2018) published by the SEC on January 11, 2018. The agreements shall remain in effect for a period of 2 years from July 31, 2020 and shall continue in effect from year to year as approved by the respective Board of Directors of the Company and SLAMCI.

SLAMCI paid certain pre-operating expenses in behalf of the Company. Payable to the fund manager in the statements of financial position attributable to shareholders amounted to nil and P19,759 as at December 31, 2020 and 2019, respectively.

Management, distribution and transfer fees attributable to unitholders charged by SLAMCI to the Company in 2020, 2019 and 2018 amounted to P713,050, P739,420 and nil, respectively. Accrued management fees as at December 31, 2020 and 2019 amounting to P62,490 and P123,869, respectively, are shown as "Payable to Fund Manager" in the statements of financial position. Payable to the fund manager attributable to shareholders in the statements of financial position amounted to nil and P19,759 as at December 31, 2020 and 2019, respectively.

#### b. Remuneration of Directors

Remuneration of directors is presented in the statements of comprehensive income under "Directors' Fees" account amounting to nil, nil and P376,594 attributable to shareholders and P315,070, P273,706 and nil attributable to unitholders in 2020, 2019 and 2018, respectively, which are usually paid to Directors based on the

number of meetings held and attended. There were no outstanding accrued directors' fees as at December 31, 2020 and 2019.

Except for the Board of Directors, the Company has no key management personnel and employees. Pursuant to the Company's MDA with SLAMCI, the latter provides all the staff of the Company, including executive officers and other trained personnel.

### c. Purchase and Sale of Investments

These types of transactions are buy and sell of the same security between portfolios of two separate affiliated legal entities and whose assets are managed by Investment Department. Portfolio Managers determine that this is appropriate and in the best interest of certain portfolios and ensure that the trade will be executed in a manner that is fair and equitable to both parties involved in the cross trade.

## 10. EQUITY

Movements are as follows:

	2020		2019		2018	
	Shares/Units	Amount	Shares/Units	Amount	Shares	Amount
<b>Attributable to Shareholders:</b>						
Authorized:						
at P0.01 par value	200,000,000	P2,000,000	200,000,000	P2,000,000	200,000,000	P2,000,000
Issued and outstanding	50,000,000	P 500,000	50,000,000	P 500,000	50,000,000	P500,000
<b>Attributable to Unitholders:</b>						
Offer units:						
at P1.00 initial offer price	100,000,000,000	P100,000,000,000	100,000,000,000	P100,000,000,000	-	P -
Issued and outstanding						
At January 1	51,517,960.52	P 51,516,803	-	P -	-	P -
Contributions	3,672,863.39	3,349,691	51,517,960.52	P 51,516,803	-	-
Withdrawals	(86,445.60)	(76,904)	-	-	-	-
At December 31	55,104,378.31	P 54,789,590	51,517,960.52	P 51,516,803	-	P -

### *Incorporation*

The Company was incorporated on January 10, 2018 with 200,000,000 authorized shares at par value of P0.01 per share attributable to shareholders and 100,000,000,000 offer units at P1.0000 initial offer price per unit attributable to unitholders.

### *Current state*

As at December 31, 2020, the Company has 50,000,000 issued and outstanding shares out of the 200,000,000 ACS with a par value of P0.01 per share attributable to shareholders and has 55,104,378.31 subscribed units out of 100,000,000,000 offer units.

### *Redeemable shares*

Redeemable shares carry one vote each, and are subject to the following:

- Distribution of dividends  
Each shareholder has a right to any dividends declared by the Company's Board of Directors and approved by 2/3 of its outstanding shareholders.
- Denial of pre-emptive rights  
No shareholder shall, because of his ownership of the shares, has a pre-emptive or other right to purchase, subscribe for, or take any part of shares or of any other securities convertible into or carrying options or warrants to purchase shares of the registrant.
- Right of redemption  
The holder of any share, upon its presentation to the Company or to any of its duly authorized representatives, is entitled to receive, by way of redemption, approximately his proportionate share of the Company's current net assets or the



cash equivalent thereof. Shares are redeemable at any time at their net assets value less any applicable sales charges and taxes.

#### *Redeemable Units*

Redeemable units refer to units of participation each of which represents an undivided interest in the pool of investments assets earmarked for this type of security issued by a Mutual Fund Company (MFC). The MFC will buy back the redeemable units upon request of the holder.

Additional paid-in capital attributable to shareholders amounting to P49,500,000 as at December 31, 2020 and 2019 pertains to excess payments over par value from shareholders. However, no corresponding additional paid-in capital is recognized upon issuance of units as these are issued at no par value.

### **11. NET ASSET VALUE PER SHARE / PER UNIT**

NAVPS and NAVPU are computed as follows:

	Note	2020	2019
<b>Attributable to shareholders:</b>			
Total equity		<b>P51,699,585</b>	P 50,440,198
Issued and outstanding shares	10	<b>50,000,000</b>	50,000,000
NAVPS		<b>P 1.0340</b>	P 1.0088
<b>Attributable to unit holders:</b>			
Total equity		<b>P 52,302,711</b>	P 51,332,984
Subscribed units	10	<b>55,104,378</b>	51,517,961
NAVPU		<b>P 0.9492</b>	P 0.9964

NAVPS is based on issued, outstanding and fully paid shares minus treasury shares while NAVPU is based on issued, outstanding and fully paid units. The expected cash outflow on redemption of these shares/units are equivalent to computed NAVPS/NAVPU as at reporting period.

### **12. INTEREST INCOME**

This account consists of interest income on the following:

	Notes	2020	2019	2018
<b>Attributable to shareholders:</b>				
Cash in banks	6	<b>P 1,615</b>	P142,217	P384,066
<b>Attributable to unit holders:</b>				
Fixed-income securities	7	<b>P425,850</b>	P442,125	P -
Cash equivalents	6	<b>1,964</b>	19,579	-
Cash in banks	6	<b>864</b>	705	-
		<b>P428,678</b>	P462,409	P -

Interest income is recorded gross of final withholding tax which is shown as "Income Tax Expense" account in the statements of comprehensive income.

Average interest rates of investments, cash equivalents and cash in banks in 2020, 2019 and 2018 are as follows:

	Notes	2020	2019	2018
<b>Attributable to shareholders:</b>				
Cash in banks	6	<b>0.43%</b>	0.25%	0.25%
<b>Attributable to unit holders:</b>				
Fixed-income securities	7	<b>6.75%</b>	6.75%	-
Cash in banks	6	<b>0.06%</b>	0.14%	-
Cash equivalents	6	<b>0.14%</b>	2.10%	-

Interest income earned on financial assets, analyzed by category, is as follows:

	Notes	2020	2019	2018
<b>Attributable to shareholders:</b>				
Cash in banks	6	<b>P 1,615</b>	P142,217	P384,066
<b>Attributable to unit holders:</b>				
Financial assets at FVTPL	7	<b>P425,850</b>	P442,125	P -
Cash and cash equivalents	6	<b>2,828</b>	20,284	-
		<b>P428,678</b>	P462,409	P -

### 13. EARNINGS (LOSS) PER SHARE / PER UNIT

The calculation of the basic and diluted earnings (loss) per share / per unit is based on the following data:

	Note	2020	2019	2018
<b>Attributable to Shareholders:</b>				
Profit (Loss) for the period		<b>P 1,259,387</b>	P 1,056,332	(P 616,134)
Weighted average number of shares:				
Issued and outstanding	10	<b>50,000,000</b>	50,000,000	50,000,000
Basic and diluted earnings (loss) per share		<b>P 0.025</b>	P 0.021	(P 0.012)
<b>Attributable to Unitholders:</b>				
Loss for the period		<b>(P 2,303,060)</b>	(P 183,819)	P -
Weighted average number of units:				
Subscribed units	10	<b>52,474,669.95</b>	51,517,960.52	-
Basic and diluted loss per unit		<b>(P 0.044)</b>	(P 0.004)	P -

As at December 31, 2020 and 2019, the Company has no dilutive potential ordinary shares.

#### 14. 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 classified under level 1 based on the degree to which the inputs to fair value are observable.

	Note	Level 1
<b>December 31, 2020</b>		
<b>Attributable to Shareholders:</b>		
Investment in mutual fund	7	<b>P 51,002,805</b>
<b>Attributable to Unitholders:</b>		
Investments in listed equity securities	7	<b>P 41,158,099</b>
Fixed-income securities	7	<b>9,674,242</b>
		<b>P 50,832,341</b>
<b>December 31, 2019</b>		
<b>Attributable to Shareholders:</b>		
Investment in mutual fund	7	P 49,744,059
<b>Attributable to Unitholders:</b>		
Investments in listed equity securities	7	P 42,388,139
Fixed-income securities	7	7,639,125
		P 50,027,264

Investment in mutual fund is valued at its NAVPS at reporting date.

Listed equity securities are valued at quoted prices as at reporting date.

The fair value of fixed-income security classified as Level 1 is based on quoted price of either done deals or bid rates.

*Financial asset and liabilities not measured at fair value*

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

	Notes	Carrying Amounts	Fair Values		
			Level 1	Level 2	Total
<b>December 31, 2020</b>					
<b>Attributable to shareholders:</b>					
<b>Financial Asset</b>					
Cash in banks	6	<b>P 696,780</b>	<b>P 696,780</b>	<b>P -</b>	<b>P 696,780</b>
<b>Attributable to unit holders:</b>					
<b>Financial Assets</b>					
Cash in banks	6	<b>P1,481,034</b>	<b>P1,481,034</b>	<b>P -</b>	<b>P1,481,034</b>
Accrued interest receivable	7	<b>174,270</b>	<b>-</b>	<b>174,270</b>	<b>174,270</b>
Dividends receivable	7	<b>19,070</b>	<b>-</b>	<b>19,070</b>	<b>19,070</b>
		<b>P1,674,374</b>	<b>P1,481,034</b>	<b>P193,340</b>	<b>P1,674,374</b>
<b>Financial Liabilities</b>					
Accrued expenses and other payables	8	<b>P 129,265</b>	<b>P -</b>	<b>P 129,265</b>	<b>P 129,265</b>
Payable to fund manager	9	<b>62,490</b>	<b>-</b>	<b>62,490</b>	<b>62,490</b>
		<b>P 191,755</b>	<b>P -</b>	<b>P 191,755</b>	<b>P 191,755</b>

	Notes	Carrying Amounts	Fair Values		
			Level 1	Level 2	Total
December 31, 2019					
<b>Attributable to shareholders:</b>					
<b>Financial Asset</b>					
Cash in banks	6	P 715,898	P 715,898	P -	P 715,898
<b>Financial Liabilities</b>					
Payable to fund manager	9	P 19,759	P -	P 19,759	P 19,759
<b>Attributable to unit holders:</b>					
<b>Financial Assets</b>					
Cash in banks	6	P1,359,281	P1,359,281	P -	P1,359,281
Accrued interest receivable	7	151,800	-	151,800	151,800
Dividends receivable	7	23,000	-	23,000	23,000
		P1,534,081	P1,359,281	P174,800	P1,534,081
<b>Financial Liabilities</b>					
Accrued expenses and other payables	8	P 92,514	P -	P 92,514	P 92,514
Payable to fund manager	9	123,869	-	123,869	123,869
		P 216,383	P -	P216,383	P 216,383

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

Cash in banks, accrued interest receivable, dividend receivable, accrued expenses and other payables and payable to fund manager have short-term maturities, hence, their carrying amounts are considered their fair values.

There were no transfers between Level 1 and 2 in 2020 and 2019.

## 15. INCOME TAXES

Details of tax expense during the period are as follows:

	2020	2019	2018
Final tax	<b>P101,031</b>	P132,076	P76,813

The reconciliation between tax expense (benefit) and the product of accounting profit (loss) multiplied by 30% is as follows:

	2020	2019	2018
Accounting profit (loss) before tax	<b>(P942,642)</b>	P1,004,589	(P539,321)
Tax expense (benefit) at 30%	<b>(P282,793)</b>	P301,377	(P161,796)
Adjustment for income subject to lower tax rate	<b>(28,057)</b>	(49,312)	(38,407)
Tax effects of:			
Unrecognized Net Operating Loss Carry-Over (NOLCO)	<b>387,525</b>	429,805	277,016
Net unrealized losses (gains) on investments	<b>193,409</b>	(295,469)	-
Dividend income exempt from tax	<b>(189,605)</b>	(205,776)	-
Net realized losses (gains) on investments	<b>20,552</b>	(48,549)	-
	<b>101,031</b>	P132,076	P76,813

Details of the Company's NOLCO from previous years are as follows:

Year Incurred	Year of Expiry	Beginning Balance	Addition	Expired	2020 Balance
2018	2021	P 923,387	P -	P-	<b>P 923,387</b>
2019	2022	1,432,683	-	-	<b>1,432,683</b>
		P2,356,070	P -	P-	<b>P2,356,070</b>

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

Year Incurred	Year of Expiry	Beginning Balance	Addition	Expired	2020 Balance
2020	2025	-	P1,291,750	-	<b>P1,291,750</b>

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

Deferred tax on NOLCO was not recognized since Management believes that future taxable income will not be available against which the deferred tax can be utilized.

The Company's interest income arising from cash in banks, cash equivalents and fixed-income securities, and realized gains on sale of listed equity securities are already subjected to final tax and are therefore excluded from the computation of taxable income subject to RCIT.

## 16. CONTINGENCIES

The Company has no pending legal cases as at December 31, 2020 and 2019 that may have a material effect on the Company's financial position and results of operations.

## 17. FINANCIAL RISK MANAGEMENT

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

### Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and prices of equity securities in the stock market. There has been no change on the manner in which the Company manages and measures these risks.

### *Interest rate risk*

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

The primary source of the Company's interest rate risk relates to cash and cash equivalents and fixed-income securities. Interest rates of the financial assets are disclosed in Notes 6 and 12.

The risk is managed by the Fund Manager by actively monitoring the prevailing interest rate environment. The duration of the portfolio is reduced during periods of rising rates and widening credit spreads to maximize interest income potential. Conversely, the same is increased during periods of falling rates and narrowing credit spreads.

A 50 basis points increase or decrease in the interest rates had been determined for sensitivity analysis based on the exposure to interest rates for financial assets at FVTPL and loans and receivables at the end of each reporting period. The same is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonable effect of the maximum possible movement in interest rates.

The following table details the increase or decrease in net profit after tax if interest rates had been 50 basis points higher or lower and all other variables are held constant for the periods ended 2020, 2019 and 2018:

Change in Interest rates	Increase (Decrease) in Net Profit or Loss/Equity		
	2020	2019	2018
<b>Attributable to shareholders:</b>			
+50 basis	<b>P2,787</b>	P 2,864	P 2,864
-50 basis	<b>(2,787)</b>	(2,864)	(2,864)
<b>Attributable to unit holders:</b>			
+50 basis	<b>(P452,605)</b>	(P 357,492)	(P 357,492)
-50 basis	<b>482,643</b>	382,010	382,010

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

#### *Equity price risk*

The Company is exposed to equity price risks arising from investments in listed equity securities and investment in mutual fund. Investments in listed equity securities could either be held for strategic or trading purposes.

The risk is managed by the Fund Manager by actively monitoring the domestic equity market and movements in NAVPS of investment in mutual fund. Portfolios are traded based on a combination of regularly-carried out fundamental and technical analyses of stock prices.

Based on the exposure to equity price risks at the end of each reporting period, if equity prices and NAVPS of investment in mutual fund had been 2% higher or lower, profit or loss for the periods ended December 31, 2020, 2019 and 2018 would have increased or decreased by:

Change in Equity price	Increase (Decrease) in Net Profit or Loss/Equity		
	2020	2019	2018
<b>Attributable to shareholders:</b>			
+/-200 basis	<b>P1,020,056</b>	P994,881	P-
<b>Attributable to unit holders:</b>			
+/-200 basis	<b>810,255</b>	834,470	-

Other than equity price risk discussed above, there are no other market risks which significantly affect the Company's performance.

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

#### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults, and transacts only with entities that are rated with equivalent of investment grade of "High" down to "Satisfactory". This information is

supplied by independent rating agencies, when available. If the information is not available, the Company uses other publicly available financial information and its own trading records to rate its major counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amounts of financial assets recorded in the financial statements represent the Company's maximum exposure to credit risk:

	Notes	2020	2019
<b>Attributable to shareholders:</b>			
Cash in banks	6	<b>P 696,780</b>	P 715,898
<b>Attributable to unit holders:</b>			
Cash in banks	6	<b>P 1,481,034</b>	P1,359,281
Financial asset at FVTPL	7	<b>9,674,242</b>	7,639,125
Accrued interest receivable	7	<b>174,270</b>	151,800
Dividends receivable	7	<b>19,070</b>	23,000
		<b>P11,348,616</b>	P9,173,206

#### *ECL measurement*

In 2020 and 2019, ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

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

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

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

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

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

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

it has not yet defaulted prior to the said time horizon. The resulting overall PDs are the values that will act as components in ECL calculation.

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

<b>Summary rating</b>	<b>Internal credit rating</b>	<b>S&amp;P rating</b>
High	AAA	AAA
High	AAA	AA
High	AAA	A
High	AAA	BBB
Satisfactory	AA	BB
Acceptable	B	B
Low	CCC/C	CCC/C

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

For the 12m and lifetime LGDs, considering the availability of related information, the Company use the external estimates sourced from S&P's.

*Forward-looking information incorporated in the ECL models*

The assessment of significant increase in credit rating and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Company assessed that the key economic variables are unemployment rates in 2020 and gross domestic product (GDP) and unemployment rates in 2019.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on the economic data from the International Monetary Fund (IMF) from year 2021 until 2025. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

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

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



The following table details the credit quality of the Company's financial assets, as well as the Company's maximum credit exposure to credit risk by credit risk rating grades as at December 31, 2020 and 2019:

	Notes	Internal Credit rating	Category	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
<b>2020</b>							
<b>Attributable to shareholders:</b>							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 696,780	P -	P 696,780
<b>Attributable to unit holders:</b>							
Cash in banks	6	AAA	Stage 1	12-month ECL	P1,481,034	P -	P1,481,034
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	174,270	-	174,270
Dividends receivable	7	AAA	Stage 1	12-month ECL	19,070	-	19,070
					<b>P1,674,374</b>	<b>P -</b>	<b>P1,674,374</b>
<b>2019</b>							
<b>Attributable to shareholders:</b>							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 715,898	P -	P 715,898
<b>Attributable to unit holders:</b>							
Cash in banks	6	AAA	Stage 1	12-month ECL	P1,359,281	-	P1,359,281
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	151,800	-	151,800
Dividends receivable	7	AAA	Stage 1	12-month ECL	23,000	-	23,000
					<b>P1,534,081</b>	<b>P -</b>	<b>P1,534,081</b>

#### Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The Company maintains at least ten percent of the fund in liquid/semi-liquid assets in the form of cash in banks, listed equity securities, government securities and other collective schemes wholly invested in liquid/semi-liquid assets to assure necessary liquidity. This is also in compliance to Section 6.10 of the Implementing Rules and Regulations of the Investment Company Act series of 2018.

The Fund Manager manages liquidity risks by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table had 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.

	Less than One Month	One Month to One Year	Total
<b>Attributable to Unitholders:</b>			
<b>2020</b>			
Accrued expenses and other payables	P -	P129,265	P129,265
Payable to fund manager	62,490	-	62,490
	<b>P 62,490</b>	<b>P129,265</b>	<b>P191,755</b>
<b>2019</b>			
Accrued expenses and other payables	P -	P 92,514	P 92,514
Payable to fund manager	123,869	-	123,869
	<b>P123,869</b>	<b>P 129,265</b>	<b>P 216,383</b>

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

As at December 31, 2020 and 2019, Payable to fund manager attributable to shareholders amounting to nil and P19,759, respectively, which is required to be paid in less than one month.

The following table details the Company's expected maturity for its financial assets. The table had been drawn up based on the contractual maturities of the financial assets including interest that will be earned on that asset, except when the Company anticipates that the cash flows will occur in a different period.

	Average Effective Interest Rate	Less than One Year	One to Five Years	Five to Ten Years	More than Ten Years	Total
<b>Attributable to shareholders:</b>						
<b>2020</b>						
Cash in banks	0.43%	P696,780	P -	P -	P -	P696,780
2019						
Cash in banks	0.25%	P715,898	P -	P -	P -	P 715,898
<b>Attributable to unit holders:</b>						
<b>2020</b>						
Cash in banks	0.06%	P 1,481,034	P -	P -	P -	P 1,481,034
Financial assets at FVTPL	6.75%	499,500	1,998,000	2,497,500	11,434,318	16,429,318
Accrued interest receivable		174,270	-	-	-	174,270
Dividends receivable		19,070	-	-	-	19,070
		<b>P2,173,874</b>	<b>P1,998,000</b>	<b>P2,497,500</b>	<b>P11,434,318</b>	<b>P18,103,692</b>
2019						
Cash in banks	0.14%	P1,359,281	P -	P -	P -	P1,359,281
Financial assets at FVTPL	6.75%	438,750	1,755,000	2,193,750	10,483,610	14,871,110
Accrued interest receivable		151,800	-	-	-	151,800
Dividends receivable		23,000	-	-	-	23,000
		<b>P1,972,831</b>	<b>P 1,755,000</b>	<b>P2,193,750</b>	<b>P10,483,610</b>	<b>P16,405,191</b>

The Company expects to meet its obligations from operating cash flows and proceeds from maturing financial asset.

## 18. CAPITAL RISK MANAGEMENT

The Fund Manager manages the Company's capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through investments in high-quality debt securities.

The Company is guided by its Investment Policies and Legal Limitations. All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid-in capital, is held by custodian banks.

The capital structure of the Company consists of issued capital as disclosed in Note 10.

The Fund Manager manages the Company's capital and NAVPS, as disclosed in Notes 10 and 11 to ensure that the Company's net asset value remains competitive and appealing to prospective investors.

The Company is also governed by the following fundamental investment policies:

- It does not issue senior securities;
- It does not intend to incur any debt or borrowing. In the event that borrowing is necessary, it can do so only if, at the time of its incurrence or immediately thereafter, there is asset coverage of at least 300% for all its borrowings;
- It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital;

- d. It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects;
- e. It does not invest directly in real estate properties and developments;
- f. It does not purchase or sell commodity futures contracts;
- g. It does not engage in lending operations to related parties such as the members of the Board of Directors, officers of the Company and any affiliates, or affiliated corporations of the Company;
- h. The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions; and
- i. It does not change its investment objectives without the prior approval of a majority of its shareholders.

The Investment Policies refer to the following:

- a. Investment Objective - to provide total returns consisting of current income and capital growth through the investment in a mix of high-quality debt (bonds) and equity (stocks) securities from both domestic and foreign issuers.
- b. Benchmark - the fund's performance is measured against 50% PSE Index and 45% Bloomberg Sovereign Bond Index 1 to 5 Year and 5% 30-day special savings deposits.
- c. Asset Allocation Range - the Company allocates its funds available for investments among cash and other deposit substitute, fixed-income securities and equity securities based on certain proportion as approved by Management.

Other matters covered in the investment policy include the fees due to be paid to the Fund Manager with management and distribution fees each set at an annual rate of 1.25% of the net assets attributable to unit holders on each valuation day.

In compliance to SEC Memorandum Circular No. 21, Series of 2019 signed on September 24, 2019 in relation to independent Net Asset Value (NAV) calculation, SLAMCI (Fund Manager) engaged Citibank, N.A. Philippines to service its fund accounting functions including calculation of its NAV every dealing day. In December 2020, SLAMCI implemented the outsourced fund accounting to all Sun Life Prosperity Funds.

As at December 31, 2020 and 2019, the Company is in compliance with the above requirements and minimum equity requirement of the SEC of P50,000,000.

The equity ratio at period-end is as follows:

	<b>2020</b>	2019
<b>Attributable to shareholders:</b>		
Equity	<b>P51,699,585</b>	P50,440,198
Total assets	<b>51,699,585</b>	50,459,957
Equity ratio	<b>1.0000:1</b>	0.9996:1
<b>Attributable to unit holders:</b>		
Equity	<b>P52,302,711</b>	P51,332,984
Total assets	<b>52,506,715</b>	51,561,345
Equity ratio	<b>0.9961:1</b>	0.9956:1

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

## **19. EVENTS AFTER THE REPORTING PERIOD**

On February 3, 2021, both houses of Congress ratified the bicameral committee report on the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" bill, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

This bill once approved by the President and passed into law, will result to the reduction of the Company's related corporate income tax rate from 30% to 25% effective July 1, 2020.

The management assessed that CREATE bill, when it is passed into law, will not have an impact in the tax expense for the year ended December 31, 2020 since the Company's income are all subjected to final taxes.

**20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010**

The following information on taxes, duties and license fees paid or accrued during the 2020 taxable period is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*Taxes and licenses*

Details of taxes and licenses and permit fees paid or accrued in 2020 are as follows:

<b>Charged to Operating Expenses</b>	
Filing and registration fees	<b>P 37,863</b>
Business permits	<b>14,324</b>
Residence or community tax	<b>1,034</b>
	<b>53,221</b>

*Withholding taxes*

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

	<b>Paid</b>	<b>Accrued</b>	<b>Total</b>
Expanded withholding taxes	<b>P79,768</b>	<b>P12,249</b>	<b>P92,017</b>

*Deficiency tax assessments*

The Company has no tax assessments and tax cases in 2020.

**21. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company were reviewed and endorsed by the Audit and Compliance Committee for the approval of the Board of Directors on March 9, 2021.

The Board of Directors approved the issuance of the financial statements also on March 9, 2021.

\* \* \*

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders  
SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.  
(An Open-end Investment Company)  
Sun Life Centre, 5<sup>th</sup> Avenue corner Rizal Drive  
Bonifacio Global City, Taguig City

We have audited the financial statements of Sun Life Prosperity Achiever Fund 2038, Inc. (the "Company") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated March 9, 2021.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedule showing the reconciliation of the retained earnings available for dividend declaration and other supplementary information shown in schedules A-H, as required by the Securities and Exchange Commission under the SRC Rule 68, as Revised, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information are the responsibility of Management and have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are 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 November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Joeffrey Mark P. Ferrer  
Partner

CPA License No. 0115793  
SEC A.N. 1767-A, issued on August 27, 2019; effective until August 26, 2022, Group A  
TIN 211965340  
BIR A.N. 08-002552-058-2018, issued on October 30, 2018; effective until October 30, 2021  
PTR No. A-5047280, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
March 9, 2021



**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DECLARATION**

As at December 31, 2020

SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.  
Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City

Items	Amount Attributable to Shareholders	Amount Attributable to Unitholders
<b>Unappropriated Retained Earnings, beginning</b>	<b>P 440,198</b>	<b>P (183,819)</b>
<b>Adjustments:</b>		
Accumulated unrealized fair value gain as at December 31, 2019	(944,059)	(1,135,968)
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>(503,861)</b>	<b>(1,319,787)</b>
<b>Net income based on the face of AFS</b>	<b>1,259,387</b>	<b>(2,303,060)</b>
<b>Adjustments for non-actual (gains) losses</b>		
Effect of movements in accumulated unrealized gain during the year	(1,258,746)	(490,407)
<b>Net Income Actual/Realized</b>	<b>641</b>	<b>(2,793,467)</b>
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>P (503,220)</b>	<b>P (4,113,254)</b>

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**

Schedule of Financial Soundness Indicators and Financial Ratios

As at December 31, 2020 and December 31, 2019

		Formula	2020		2019	
			Shareholders	Unitholders	Shareholders	Unitholders
<i>Current/ Liquidity Ratios</i>						
a. Current ratio	Current Assets/Current Liabilities	N/A	257.38:1	2553.77:1	225.79:1	
b. Quick ratio	Quick Assets/Current Liabilities	N/A	257.38:1	2553.77:1	225.79:1	
c. Cash ratio	Cash/Current Liabilities	N/A	7.26:1	36.23:1	5.95:1	
d. Days in receivable	Receivable/Revenue * No. of days	N/A	N/A	N/A	N/A	
e. Working capital ratio	(Current Assets/Current Liabilities)/Current Assets	1.00:1	1.00:1	1.00:1	1.00:1	
f. Net working capital to sales ratio	Working Capital / Total Revenue	32012.13:1	52.71:1	354.67:1	39.18:1	
g. Defensive Interval Ratio	360* (Quick Assets / Proj. Daily Operating Expense)	28589632.26:1	14850.58:1	12,102,321.47:1	14,344.42:1	
<i>Solvency Ratios</i>						
a. Long-term debt to equity ratio	Noncurrent Liabilities/Total Equity	N/A	0.00	0.00	0.00	
b. Debt to equity ratio	Total Liabilities/Total Equity	N/A	0.004	0.00	0.00	
c. Long term debt to total asset ratio	Noncurrent Liabilities/Total Assets	N/A	0.00	0.00	0.00	
d. Total debt to asset ratio	Total Liabilities/Total Assets	N/A	0.004	0.00	0.00	
Asset to equity ratio	Total Assets/Total Equity	1.00:1	1.00:1	1.00:1	1.00:1	
Interest rate coverage ratio	Earning Before Income Tax/Interest Expense	N/A	N/A	N/A	N/A	
<i>Profitability Ratio</i>						
a. Earnings before interest and taxes (EBIT) margin	EBIT/Revenue	78000.62%	-221.97%	763.00%	-6.12%	
b. Earnings before interest, taxes and depreciation and amortization (EBITDA) margin	EBITDA/Revenue	78000.62%	-221.97%	763.00%	-6.12%	
c. Pre-tax margin	EBIT/Revenue	78000.62%	-221.97%	763.00%	-6.12%	
d. Effective tax rate	Income Tax/EBIT	0.03%	-4.57%	2.62%	-129.24%	
e. Post-tax margin	Net Income After Tax/Revenue	77980.62%	-232.12%	743.00%	-14.00%	
f. Return on equity	Net Income After Tax/Average Common Equity	2.47%	-4.44%	2.12%	-0.72%	
g. Return on asset	NIAT/Average Total Assets	2.47%	-4.43%	2.09%	-0.71%	
Capital intensity ratio	Total Assets/Revenue	32012.13:1	52.92:1	354.81:1	39.36:1	
Fixed assets to total assets	Fixed assets/Total assets	N/A	N/A	N/A	N/A	
Dividend payout ratio	Dividends paid/Net Income	N/A	N/A	N/A	N/A	

The Company was incorporated on January 10, 2018 and started its commercial operations on January 28, 2019.

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
**Schedule Required under SRC Rule 68**

**i. Percentage of Investment in a Single Enterprise to Net Asset Value**  
As at December 31, 2020 and December 31, 2019

	2020			2019		
	Investment (Market Value)	Unitholders Net Asset Value	% over NAV	Investment (Market Value)	Unitholders Net Asset Value	% over NAV
<b>Treasury Notes (ISIN) - Republic of the Philippines</b>						
PIBD2039A232	9,674,242	52,302,711	18.50%	7,639,125	51,332,984	14.88%
<b>Equities</b>						
Ayala Corporation	2,737,370	52,302,711	5.23%	2,490,035	51,332,984	4.85%
Aboitiz Equity Ventures Inc	1,453,883	52,302,711	2.78%	1,465,175	51,332,984	2.85%
Alliance Global Group Inc.	287,260	52,302,711	0.55%	383,614	51,332,984	0.75%
Ayala Land Inc.	3,800,837	52,302,711	7.27%	3,909,815	51,332,984	7.62%
Aboitiz Power Corporation	422,145	52,302,711	0.81%	526,680	51,332,984	1.03%
BDO Unibank Inc.	2,364,552	52,302,711	4.52%	3,415,960	51,332,984	6.65%
Bank of the Philippine Islands	2,022,361	52,302,711	3.87%	2,087,625	51,332,984	4.07%
DMCI Holdings Inc.	244,512	52,302,711	0.47%	269,688	51,332,984	0.53%
First Gen Corporation	225,200	52,302,711	0.43%	309,120	51,332,984	0.60%
Globe Telecom Inc.	680,050	52,302,711	1.30%	646,400	51,332,984	1.26%
International Container Terminal Services Inc.	1,447,420	52,302,711	2.77%	1,450,608	51,332,984	2.83%
Jollibee Foods Corporation	1,130,208	52,302,711	2.16%	1,140,480	51,332,984	2.22%
JG Summit Holdings Inc.	2,472,276	52,302,711	4.73%	2,605,800	51,332,984	5.08%
Metropolitan Bank & Trust Company	1,226,397	52,302,711	2.34%	1,603,996	51,332,984	3.12%
Megaworld Corporation	507,552	52,302,711	0.97%	482,804	51,332,984	0.94%
Metro Pacific Investments Corporation	637,720	52,302,711	1.22%	504,600	51,332,984	0.98%
Robinsons Land Corporation	487,600	52,302,711	0.93%	611,610	51,332,984	1.19%
Security Bank Corporation	668,660	52,302,711	1.28%	951,600	51,332,984	1.85%
SM Investments Corporation	6,813,255	52,302,711	13.03%	6,383,160	51,332,984	12.43%
SM Prime Holdings Inc.	4,593,050	52,302,711	8.78%	4,273,150	51,332,984	8.32%
PLDT, INC.	1,273,000	52,302,711	2.43%	983,060	51,332,984	1.92%
Universal Robina Corporation	1,735,450	52,302,711	3.32%	1,544,250	51,332,984	3.01%
Manila Electric Company	803,000	52,302,711	1.54%	824,200	51,332,984	1.61%
San Miguel Corporation	552,111	52,302,711	1.06%	642,880	51,332,984	1.25%
Bloomberry Resorts Corporation	352,785	52,302,711	0.67%	479,120	51,332,984	0.93%
GT Capital Holdings Inc.	620,685	52,302,711	1.19%	881,727	51,332,984	1.72%
Puregold Price Club Inc.	471,500	52,302,711	0.90%	413,400	51,332,984	0.81%
LT Group, Inc.	415,270	52,302,711	0.79%	370,182	51,332,984	0.72%
Robinsons Retail Holdings, Inc.	404,950	52,302,711	0.77%	471,200	51,332,984	0.92%
Emperador Inc.	307,040	52,302,711	0.59%	-	-	-
Semirara Mining and Power Corporation	-	52,302,711	0.00%	266,200	51,332,984	0.52%

**ii. Total Investment of the Fund to the Outstanding Securities of an Investee Company**  
As at December 31, 2020 and December 31, 2019

	2020			2019		
	Investment of the Fund	Unitholders Outstanding Securities of an Investee Company	% over Investee	Investment of the Fund	Unitholders Outstanding Securities of an Investee Company	% over Investee
<b>Treasury Notes (ISIN) - Republic of the Philippines</b>						
PIBD2039A232	7,400,000	31,504,000,000	0.02%	6,500,000	31,504,000,000	0.02%
<b>Equities</b>						
Ayala Corporation	3,310	627,415,324	0.00%	3,170	625,701,136	0.00%
Aboitiz Equity Ventures Inc	30,770	5,630,225,457	0.00%	28,450	5,632,792,557	0.00%
Alliance Global Group Inc.	27,100	9,676,914,079	0.00%	32,900	9,819,827,979	0.00%
Ayala Land Inc.	92,930	14,730,395,599	0.00%	85,930	14,719,962,101	0.00%
Aboitiz Power Corporation	15,900	7,358,604,307	0.00%	15,400	7,358,604,307	0.00%
BDO Unibank Inc.	22,140	4,384,474,515	0.00%	21,620	4,381,953,364	0.00%
Bank of the Philippine Islands	24,860	4,513,103,261	0.00%	23,750	4,507,071,644	0.00%
DMCI Holdings Inc.	43,200	13,277,470,000	0.00%	40,800	13,277,470,000	0.00%
First Gen Corporation	8,000	3,597,914,505	0.00%	12,800	3,603,224,505	0.00%
Globe Telecom Inc.	335	133,432,727	0.00%	320	133,208,407	0.00%
International Container Terminal Services Inc.	11,720	2,044,311,325	0.00%	11,280	2,000,647,076	0.00%
Jollibee Foods Corporation	5,790	1,107,735,990	0.00%	5,280	1,097,105,596	0.00%
JG Summit Holdings Inc.	34,529	7,520,983,658	0.00%	32,250	7,162,841,657	0.00%
Metropolitan Bank & Trust Company	25,003	4,497,415,555	0.00%	24,193	4,497,415,555	0.00%
Megaworld Corporation	124,400	31,873,365,872	0.00%	120,400	32,240,945,872	0.00%
Metro Pacific Investments Corporation	149,000	30,668,798,752	0.00%	145,000	31,569,338,752	0.00%
Robinsons Land Corporation	23,000	5,193,830,685	0.00%	22,200	5,193,830,685	0.00%
Security Bank Corporation	4,990	753,538,887	0.00%	4,880	753,538,887	0.00%
SM Investments Corporation	6,495	1,204,582,867	0.00%	6,120	1,204,582,867	0.00%
SM Prime Holdings Inc.	119,300	28,879,231,694	0.00%	101,500	28,879,231,694	0.00%
PLDT, INC.	950	216,055,775	0.00%	995	216,055,775	0.00%
Universal Robina Corporation	11,380	2,204,161,868	0.00%	10,650	2,204,161,868	0.00%
Manila Electric Company	2,750	1,127,098,705	0.00%	2,600	1,127,098,705	0.00%
San Miguel Corporation	4,310	2,378,524,978	0.00%	3,920	2,378,524,978	0.00%
Bloomberry Resorts Corporation	43,500	10,959,899,892	0.00%	42,400	10,973,470,001	0.00%
GT Capital Holdings Inc.	1,061	215,284,587	0.00%	1,041	215,284,587	0.00%



Puregold Price Club Inc.	11,500	2,884,232,615	0.00%	10,400	2,884,232,615	0.00%
LT Group, Inc.	31,700	10,821,388,889	0.00%	30,900	10,821,388,889	0.00%
Robinsons Retail Holdings, Inc.	6,230	1,551,006,880	0.00%	5,890	1,576,489,360	0.00%
Emperador Inc.	30,400	15,838,190,038	0.00%	-	-	-
Semirara Mining and Power Corporation	-	-	-	12,100	4,250,547,620	0.00%

**iii Total Investment in Liquid or Semi-Liquid Assets to Total Assets**

As at December 31, 2020 and December 31, 2019

	2020	2019
Total Liquid and Semi-Liquid Assets	52,506,715	51,561,345
TOTAL ASSETS	52,506,715	51,561,345
Total Investment in Liquid or Semi-Liquid Assets to Total Assets	100.00%	100.00%

**iv. Total Operating Expenses to Total Net Worth**

As at December 31, 2020 and December 31, 2019

	2020	2019
Total Operating Expenses	1,272,840	1,294,028
Average Daily Net Worth	45,475,331	50,923,881
Total Operating Expenses to Average Daily Net Worth	2.80%	2.54%

**v. Total Assets to Total Borrowings**

As at December 31, 2020 and December 31, 2019

	2020	2019
Total Assets	52,506,715	51,561,345
Total Borrowings	204,004	228,361
Total Assets to Total Borrowings	25738.08%	22578.88%

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
**Schedule Required under SRC Rule 68**

**i. Percentage of Investment in a Single Enterprise to Net Asset Value**  
As at December 31, 2020 and December 31, 2019

	Investment (Market Value)	2020 Shareholders		Investment (Market Value)	2019 Shareholders	
		Net Asset Value	% over NAV		Net Asset Value	% over NAV
<b>Equity</b>						
SUN LIFE PROSPERITY PESO STARTER FUND, INC.	51,002,805	51,699,585	98.65%	49,744,059	50,440,198	98.62%

**ii. Total Investment of the Fund to the Outstanding Securities of an Investee Company**  
As at December 31, 2020 and December 31, 2019

	Total Investment	2020 Shareholders		Total Investment	2019 Shareholders	
		Outstanding Securities	% over Investee		Outstanding Securities	% over Investee
SUN LIFE PROSPERITY PESO STARTER FUND, INC.	39,335,805	19,999,991,404	0.20%	39,335,805	19,999,223,311	0.20%

**iii. Total Investment in Liquid or Semi-Liquid Assets to Total Assets**  
As at December 31, 2020 and December 31, 2019

	2020	2019
Total Liquid and Semi-Liquid Assets	51,699,585	50,459,957
TOTAL ASSETS	51,699,585	50,459,957
Total Investment in Liquid or Semi-Liquid Assets to Total Assets	100.00%	100.00%

**iv. Total Operating Expenses to Total Net Worth**  
As at December 31, 2020 and December 31, 2019

	2020	2019
Total Operating Expenses	651	1,501
Average Daily Net Worth	51,179,626	49,742,629
Total Operating Expenses to Average Daily Net Worth	0.001%	0.003%

**v. Total Assets to Total Borrowings**

As at December 31, 2020 and December 31, 2019

	2020	2019
Total Assets	51,699,585	50,459,957
Total Borrowings	-	19,759
Total Assets to Total Borrowings	N/A	255377.08%

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
**Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City**

**Additional Requirements for Issuers of Securities to the Public  
Required by the Securities and Exchange Commission  
As at December 31, 2020**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Table of Contents	
A. Financial Assets	<b><u>2</u></b>
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	<b><u>N.A.</u></b>
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<b><u>N.A.</u></b>
D. Intangible Assets - Other Assets	<b><u>N.A.</u></b>
E. Long-Term Debt	<b><u>N.A.</u></b>
F. Indebtedness to Related Parties	<b><u>3</u></b>
G. Guarantees of Securities of Other Issuers	<b><u>N.A.</u></b>
H. Capital Stock	<b><u>4</u></b>

**SUN LIFE PROSPERITY DOLLAR STARTER FUND, INC.**  
**Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City**

**SCHEDULE A - FINANCIAL ASSETS**  
**As at December 31, 2020**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Income Received and Accrued
<b>Attributable to shareholders:</b> <b>Equity shares:</b>			
<b>Sun Life Prosperity Peso Starter Fund, Inc.</b>	<b>39,335,805</b>	<b>P51,002,805</b>	<b>-</b>

**SUN LIFE PROSPERITY DOLLAR STARTER FUND, INC.**  
**Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City**

**SCHEDULE A - FINANCIAL ASSETS**

As at December 31, 2020

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Income Received and Accrued
<b>Attributable to unit holders:</b>			
Treasury Bonds and Notes Issued by the Nat'l. Government	7,400,000	P9,674,242	P425,850
<b>Equity shares:</b>			
Ayala Corporation	3,310	2,737,370	
Aboitiz Equity Ventures Inc	30,770	1,453,883	
Alliance Global Group Inc.	27,100	287,260	
Ayala Land Inc.	92,930	3,800,837	
Aboitiz Power Corporation	15,900	422,145	
BDO Unibank Inc.	22,140	2,364,552	
Bank of the Philippine Islands	24,860	2,022,361	
DMCI Holdings Inc.	43,200	244,512	
First Gen Corporation	8,000	225,200	
Globe Telecom Inc.	335	680,050	
International Container Terminal Services Inc.	11,720	1,447,420	
Jollibee Foods Corporation	5,790	1,130,208	
JG Summit Holdings Inc.	34,529	2,472,276	
Metropolitan Bank & Trust Company	25,003	1,226,397	
Megaworld Corporation	124,400	507,552	
Metro Pacific Investments Corporation	149,000	637,720	
Robinsons Land Corporation	23,000	487,600	
Security Bank Corporation	4,990	668,660	
SM Investments Corporation	6,495	6,813,255	
SM Prime Holdings Inc.	119,300	4,593,050	
PLDT, INC.	950	1,273,000	
Universal Robina Corporation	11,380	1,735,450	
Manila Electric Company	2,750	803,000	
San Miguel Corporation	4,310	552,111	
Bloomberry Resorts Corporation	43,500	352,785	
GT Capital Holdings Inc.	1,061	620,685	
Puregold Price Club Inc.	11,500	471,500	
LT Group, Inc.	31,700	415,270	
Robinsons Retail Holdings, Inc.	6,230	404,950	
Emperador Inc.	30,400	307,040	
	916,553	41,158,099	632,017
<b>TOTAL</b>	<b>8,316,553</b>	<b>P50,832,341</b>	<b>P1,057,867</b>

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
**Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City**

**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**As at December 31, 2020**

Name of Related Party	Relationship	Balance at beginning of period	Balance at end of period
<b>Attributable to shareholders:</b> Sun Life Asset Management Company, Inc.	Fund Manager	P 19,759	P -
<b>TOTAL</b>		P 19,759	<b>P -</b>

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
**Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City**

**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
As at December 31, 2020

Name of Related Party	Relationship	Balance at beginning of period	Balance at end of period
<b>Attributable to unit holders:</b> Sun Life Asset Management Company, Inc.	Fund Manager	P 123,869	P 62,490
<b>TOTAL</b>		P 123,869	<b>P 62,490</b>

**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City

**SCHEDULE H - CAPITAL STOCK**  
**As at December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
<b>Attributable to shareholders:</b>						
Ordinary Shares	200,000,000	50,000,000	-	49,999,995	5	-
Treasury Shares	-	-	-	-	-	-
<b>TOTAL</b>	<b>200,000,000</b>	<b>50,000,000</b>	<b>-</b>	<b>49,999,995</b>	<b>5</b>	<b>-</b>



**SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.**  
Sun Life Centre, 5th Avenue, Corner Rizal Drive, Bonifacio Global, Taguig City

**SCHEDULE H - CAPITAL STOCK**  
**As at December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
<b>Attributable to unit holders:</b>						
Units	100,000,000,000	55,104,378.31	-	50,000,000	-	5,104,378
<b>TOTAL</b>	<b>100,000,000,000</b>	<b>55,104,378.31</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>5,104,378</b>