SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
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Company Information

SEC Registration No.: A199910384
Company Name: GENERALI LIFE ASSURANCE PHILIPPINES, INC.
Industry Classification: J67000
Company Type: Stock Corporation

Document Information

Document ID: OST10708202228588784
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 9 1 0 3 8 4

COMPANY NAME

GENERALI LIFE ASSURANCE
PHILIPPINES, INC.
(A Wholly Owned Subsidiary of
Generali Asia N.V.)

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

10th Floor, Petron Mega Plaza
Building Sen. Gil J. Puyat
Ave., Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	NA

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
generaliphofficial@generali.com.ph	888-0808	0917-829-7615

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	4 / 27	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Raizulli Nolasco	rmnolasco@generali.com.ph	888-0808	0917-525-7836

CONTACT PERSON's ADDRESS

10th Floor, Petron Mega Plaza Building, Sen. Gil J. Puyat Ave., Makati City

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

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

GENERALI LIFE ASSURANCE PHILIPPINES, INC.

(A Wholly Owned Subsidiary of Generali Asia N.V.)

FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

Generali Life Assurance Philippines, Inc.
10th Floor Petron Mega Plaza
358 Sen. Gil J. Puyat Ave., Makati City
1227 Philippines
T +63.2.8880808
F +63.2.8683388

generali.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Generali Life Assurance Philippines, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders of the Company, has expressed its opinion on the fairness of presentation upon completion of such audit.

Robert Hector John Spence
Chairman, Board of Directors

Reynaldo C. Centeno
President and Chief Executive Officer

Maria Fe D. Velasco
Treasurer and Chief Finance Officer

Signed this 13th day of May, 2022

Generali Life Assurance Philippines, Inc.
10th Floor Petron Mega Plaza
358 Sen. Gil J. Puyat Ave., Makati City
1227 Philippines
T +63.2.8880808
F +63.2.8683388

generali.com.ph

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The Management of Generali Life Assurance Philippines, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of Generali Life Assurance Philippines, Inc. complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) Generali Life Assurance Philippines, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Robert Hector John Spence
Chairman, Board of Directors

Reynaldo C. Centeno
President and Chief Executive Officer

Maria Fe D. Velasco
Treasurer and Chief Finance Officer

Signed this 13th day of May, 2022

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AFS-0-QRNVPXXT09DBJ9HJHM1TMT31P04YMZN3V2

Submission Date/Time:
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Neil Patrick D. Purganan

From: eafs@bir.gov.ph
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Cc: Rhadentor C. Corpuz
Subject: Your BIR AFS eSubmission uploads were received

Hi GENERALI LIFE ASSURANCE PHILIPPINES INC,

Valid files

- EAFS203028895AFSTY122021.pdf
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Transaction Code: **AFS-0-QRNVPXXT09DBJ9HJHM1TMT31P04YMZN3V2**
Submission Date/Time: **May 18, 2022 03:25 PM**
Company TIN: **203-028-895**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 203-028-895-000
Name	: GENERALI LIFE ASSURANCE PHILIPPINES, INC.
RDO	: 125
Form Type	: 1702
Reference No.	: 462200047866089
Amount Payable (Over Remittance)	: -70,030,204.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2021
Date Filed	: 05/17/2022
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]

Reference No : 462200047866089
Date Filed : May 17, 2022 03:50 PM
Batch Number : 0

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: BCS/ Item:

BIR Form No. **1702-RT** January 2018(ENCS) Page 1

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

1702-RT 01/18ENCS P1

1 For	(•) Calendar ( ) Fiscal
2 Year Ended (MM/20YY)	12/2021
3 Amended Return?	(•) Yes ( ) No
4 Short Period Return?	( ) Yes (•) No
5 Alphanumeric Tax Code (ATC)	IC055 Minimum Corporate Income Tax (MCIT); IC010 DOMESTIC CORPORATION IN GENERAL

Part I - Background Information

6 Taxpayer Identification Number (TIN)	203 - 028 - 895 - 000
7 RDO Code	125
8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	GENERALI LIFE ASSURANCE PHILIPPINES, INC.
9A Registered Address *(Indicate complete registered address)*	10TH FLR. PETRON MEGA PLAZA 358 SEN. GIL PUYAT AVENUE BEL-AIR CITY OF MAKATI
9B Zipcode	1209
10 Date of Incorporation/Organization (MM/DD/YYYY)	07/09/1999
11 Contact Number	09178136504
12 Email Address	taxation@generali.com.ph
13 Method of Deductions	(•) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)*		4,117,143
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*		74,147,347
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*		(70,030,204)
Add Penalties		
17 Surcharge	0	
18 Interest	0	
19 Compromise	0	
20 Total Penalties *(Sum of Items 17 to 19)*		0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 16 and 20)*		(70,030,204)

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (•) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

REYNALDO C. CENTENO	MARIA FE D. VELASCO	22 Number of Attachments
Signature over printed name of President/Principal Officer/Authorized Representative	Signature over printed name of Treasurer/Assistant Treasurer	
Title of Signatory: PRESIDENT AND CEO; TIN: 129-544-374	Title of Signatory: CFO AND TREASURER; TIN: 129-544-850	4

Part III - Details of Payment

Particulars	Drawee Bank/Agency	Number	Date *(MM/DD/YYYY)*	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*	*Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

BIR Form No. **1702-RT** January 2018(ENCS) **Page 2**	**Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**	1702-RT 01/18ENCS P2

Taxpayer Identification Number (TIN)	**Registered Name**
203 - 028 - 895 - 000	GENERALI LIFE ASSURANCE PHILIPPINES, INC.

Part IV - Computation of Tax	*(Do NOT enter Centavos)*
27 Sales/Receipts/Revenues/Fees	2,471,431,885
28 Less: Sales Returns, Allowances and Discounts	0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*	2,471,431,885
30 Less: Cost of Sales/Services	2,137,064,511
31 Gross Income from Operation *(Item 29 Less Item 30)*	334,367,374
32 Add: Other Taxable Income Not Subjected to Final Tax	77,346,965
33 Total Taxable Income *(Sum of Items 31 and 32)*	411,714,339

Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	361,959,853
35 Special Allowable Itemized Deductions *(From Part VI Schedule II Item 5)*	0
36 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)*	0
37 Total Deductions *(Sum of Items 34 to 36)*	361,959,853
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*	
38 Optional Standard Deduction *(40% of Item 33)*	0

39 Net Taxable Income/(Loss) *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*	49,754,486
40 Applicable Income Tax Rate	25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*	0
42 MCIT Due *(2% of Item 33)*	4,117,143
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)*	4,117,143

Less: Tax Credits/Payments (attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	51,068,396
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
47 Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)*	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	14,871,088
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	8,207,863
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0
52 Special Tax Credits *(To Part V Item 58)*	0
Other Credits/Payments *(Specify)*	
53	0
54	0

55 Total Tax Credits/Payments *(Sum of Items 44 to 54) (To Part II Item 15)*	74,147,347
56 Net Tax Payable / (Overpayment) *(Item 43 Less Item 55)) (To Part II Item 16)*	(70,030,204)

Part V - Tax Relief Availment	
57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add: Special Tax Credits *(From Part IV Item 52)*	0
59 Total Tax Relief Availment *(Sum of Items 57 and 58)*	0

BIR Form No. **1702-RT** January 2018(ENCS) **Page 3**	**Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**	1702-RT 01/18ENCS P3

Taxpayer Identification Number (TIN)	**Registered Name**
203 - 028 - 895 - 000	GENERALI LIFE ASSURANCE PHILIPPINES, INC.

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Amortizations	2,540,000
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	0
5 Depreciation	38,203,551
6 Entertainment, Amusement and Recreation	0
7 Fringe Benefits	0
8 Interest	0
9 Losses	0
10 Pension Trust	0
11 Rental	0
12 Research and Development	0
13 Salaries, Wages and Allowances	131,696,356
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	1,688,777
15 Taxes and Licenses	72,890,631
16 Transportation and Travel	2,330,161
17 Others (Deductions Subject to Withholding Tax and Other Expenses) *[Specify below; Add additional sheet(s), if necessary]*	
a Janitorial and Messengerial Services	2,911,374
b Professional Fees	5,405,231
c Security Services	1,010,237
d ADVERTISING AND PROMOTIONS	298,158
e COMMUNICATIONS LIGHT AND WATER	8,352,769
f DIRECTORS FEE	200,000
g INSURANCE EXPENSES	11,433,339
h MISCELLANEOUS	2,304,199
i OTHERS	80,695,070
i.1 CONSULTANCY FESS	4,082,467
i.2 OTHER SERVICE FEES	35,463,607
i.3 REPRESENTATION AND ENTERTAINMENT	2,558,048
i.4 TRAININGS AND SEMINARS	1,648,143
i.5 IT RELATED EXPENSES	30,883,195
i.6 OFFICE AND POSTAGE EXPENSES	6,059,610
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17i) (To Part IV Item 34)*	361,959,853

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 35)*			0

BIR Form No. **1702-RT** January 2018(ENCS) Page 4	**Annual Income Tax Return** Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P4

Taxpayer Identification Number (TIN)	Registered Name
203 - 028 - 895 - 000	GENERALI LIFE ASSURANCE PHILIPPINES, INC.

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 33)*	0
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	0
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5 2019	82,747,385	0
6 2018	251,817,138	65,994,666
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) *[E = A Less (B + C + D)]*
4 0	0	0
5 0	0	82,747,385
6 136,067,986	49,754,486	0
7 0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV, Item 36)*	49,754,486	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1 2020	0	7,682,261	7,682,261
2 2019	0	6,270,441	6,270,441
3 2018	0	3,977,160	3,977,160

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	7,682,261
2	0	0	0	6,270,441
3	0	3,977,160	0	0
Total Excess MCIT Applied *(Sum of Items 1F to 3F) (To Part IV Item 47)*			0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	72,151,555
Add: Non-deductible Expenses/Taxable Other Income	
2 NON DEDUCTIBLE EXPENSES	59,113,433
3	0
4 Total *(Sum of Items 1 to 3)*	131,264,988
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 INCOME SUBJECT TO FINAL TAX	81,510,502
6	0
B) Special Deductions	
7 NOLCO	49,754,486
8	0
9 Total (Sum of Items 5 to 8)	131,264,988
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	0

R.G. Manabat & Co.
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Philippines 1209
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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Generali Life Assurance Philippines, Inc.
10th Floor, Petron Mega Plaza Building
Sen. Gil J. Puyat Ave., Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Generali Life Assurance Philippines, Inc. (A Wholly Owned Subsidiary of Generali Asia N.V.) (the Company), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter Relating to Comparative Information

We draw attention to Note 30 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2020 and the statement of financial position as at January 1, 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter Relating to Comparative Information

The financial statements of the Company as at and for the year ended December 31, 2020 and December 31, 2019 (from which the statement of financial position as at January 1, 2020 has been derived), excluding the adjustments described in Note 30 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on May 10, 2021.

As part of our audit of the financial statements as at and for the year ended December 31, 2021, we audited the adjustments described in Note 30 that were applied to restate the comparative information presented as at and for the year ended December 31, 2020 and the statement of financial position as at January 1, 2020. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2020 and 2019 (not presented herein) or to the statement of financial position as at January 1, 2020, other than with respect to the adjustments described in Note 30 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole. However, in our opinion, the adjustments described in Note 30 are appropriate and have been properly applied.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 31 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 92183-SEC, Group A, issued on July 15, 2021,
valid for one (1) year covering the audit of 2021 financial statements
SEC Accreditation No. 92183-SEC, Group A, issued on April 12, 2022,
valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854069
Issued January 3, 2022 at Makati City

May 13, 2022
Makati City, Metro Manila

R.G. Manabat & Co.
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Generali Life Assurance Philippines, Inc.
10th Floor, Petron Mega Plaza Building
Sen. Gil J. Puyat Ave., Makati City

We have audited the accompanying financial statements of Generali Life Assurance Philippines, Inc. (A Wholly Owned Subsidiary of Generali Asia N.V.) (the Company) as at and for the year ended December 31, 2021, on which we have rendered our report dated May 13, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares each.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 92183-SEC, Group A, issued on July 15, 2021, valid for one (1) year covering the audit of 2021 financial statements
SEC Accreditation No. 92183-SEC, Group A, issued on April 12, 2022, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854069
Issued January 3, 2022 at Makati City

May 13, 2022
Makati City, Metro Manila

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF FINANCIAL POSITION

		December 31		January 1
	Note	**2021**	2020 (As restated - Note 30)	2020 (As restated - Note 30)
ASSETS				
Current Assets				
Cash and cash equivalents	*4, 27*	**P263,385,485**	P263,366,056	P225,252,900
Short-term investments	*5*	**-**	-	4,217,670
Insurance receivables - net	*6, 27*	**771,384,721**	602,308,892	890,656,331
Financial assets:	*7, 27*			
Available-for-sale financial assets		**1,777,113,872**	1,726,747,511	1,428,366,934
Held-to-maturity financial assets		**228,937,885**	227,325,944	226,602,870
Loans and receivables - net		**37,790,594**	28,053,821	18,491,431
Accrued income	*8, 27*	**19,501,489**	19,157,240	18,774,256
Reinsurance assets	*9, 13*	**437,474,223**	322,323,138	396,865,665
Property and equipment - net	*10*	**40,678,804**	30,229,172	55,877,178
Intangible assets - net	*11*	**138,505,215**	121,175,070	49,905,476
Other assets - net	*12*	**91,409,061**	100,202,646	84,800,966
Deferred tax assets - net	*24*	**27,344,241**	27,344,241	-
		P3,833,525,590	P3,468,233,731	P3,399,811,677
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities	*13*	**P1,618,388,186**	P1,255,518,023	P1,203,031,574
Insurance payables	*14, 27*	**609,902,711**	649,225,316	914,550,306
Accounts payable and accrued expenses	*15*	**219,569,665**	231,381,706	139,012,531
Net pension liability	*16*	**3,333,446**	4,930,063	2,920,651
Lease liabilities	*26*	**18,613,143**	4,858,067	22,215,565
		2,469,807,151	2,145,913,175	2,281,730,627
Equity				
Capital stock	*17*	**2,321,260,600**	2,321,260,600	2,100,000,000
Contributed surplus		**50,000,000**	50,000,000	50,000,000
Contingency surplus		**250,000,000**	200,000,000	200,000,000
Deposits for future stock subscriptions	*17*	**-**	-	221,260,600
Unrealized gains on AFS financial assets	*7*	**12,762,760**	72,854,841	22,207,510
Remeasurement gain on pension obligation		**9,655,253**	6,355,528	7,224,616
Remeasurement loss on life insurance reserves		**(13,720,665)**	(15,380,855)	(9,745,953)
Deficit		**(1,266,239,509)**	(1,312,769,558)	(1,472,865,723)
		1,363,718,439	1,322,320,556	1,118,081,050
		P3,833,525,590	P3,468,233,731	P3,399,811,677

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2021	2020 (As restated - Note 30)
		Years Ended December 31	
REVENUE			
Gross insurance premiums		**P2,471,431,885**	P2,270,991,007
Reinsurers' share of gross insurance premiums		**(801,008,902)**	(933,668,856)
Net insurance premiums	*18*	**1,670,422,983**	1,337,322,151
Investment income	*19*	**88,368,281**	86,226,968
Medical service fee and other income	*20*	**19,312,722**	21,791,925
Total revenue		**1,778,103,986**	1,445,341,044
BENEFITS, CLAIMS AND OPERATING EXPENSES			
Gross insurance contract benefits and claims paid		**1,949,641,612**	1,220,452,746
Reinsurers' share of gross insurance contract benefits and claims paid		**(793,419,207)**	(680,098,740)
Gross change in insurance contract liabilities		**(70,433,560)**	24,664,191
Reinsurer's share of gross change in outstanding claims provisions		**(112,990,507)**	75,668,893
Net insurance benefits and claims	*13, 21*	**972,798,338**	640,687,090
Commission expense - net	*22*	**247,326,687**	153,194,562
General and administrative expenses	*23*	**481,594,420**	486,209,343
Interest expense on lease liabilities	*26*	**2,650,883**	1,325,459
Foreign exchange loss - net		**1,582,103**	4,647,015
Total benefits, claims and operating expenses		**1,705,952,431**	1,286,063,469
INCOME BEFORE INCOME TAX		**72,151,555**	159,277,575
INCOME TAX EXPENSE (BENEFIT)	*24*	**25,621,506**	(818,590)
NET INCOME		**46,530,049**	160,096,165
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets	*7*	**(60,092,081)**	50,647,331
Items that will not be reclassified to profit or loss			
Remeasurement gain (loss) on pension obligation - net of tax		**3,299,725**	(869,088)
Remeasurement gain (loss) on life insurance reserves - net of tax	*13*	**1,660,190**	(5,634,902)
		(55,132,166)	44,143,341
TOTAL COMPREHENSIVE INCOME		**(P8,602,117)**	P204,239,506

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Capital Stock (Note 17)	Contributed Surplus	Deposits for Future Stock Subscriptions (Note 17)	Contingency Surplus (Note 17)	Unrealized Gain on Available-for-sale Financial Assets (Note 7)	Remeasurement Gain on Pension Obligation	Remeasurement Loss on Life Insurance Reserves (Note 13)	Deficit	Total
Balance at January 1, 2021	**P2,321,260,600**	**P50,000,000**	**P -**	**P200,000,000**	**P72,854,841**	**P6,355,528**	**(P15,380,855)**	**(P1,312,769,558)**	**P1,322,320,556**
Additions of capital	**-**	**-**	**-**	**50,000,000**	**-**	**-**	**-**	**-**	**50,000,000**
Total Comprehensive Loss									
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46,530,049**	**46,530,049**
Other comprehensive income (loss):									
Items that may be reclassified to profit or loss	**-**	**-**	**-**	**-**	**(60,092,081)**	**-**	**-**	**-**	**(60,092,081)**
Items that will not be reclassified to profit or loss	**-**	**-**	**-**	**-**	**-**	**3,299,725**	**1,660,190**	**-**	**4,959,915**
	-	**-**	**-**	**-**	**(60,092,081)**	**3,299,725**	**1,660,190**	**46,530,049**	**(8,602,117)**
Balance at December 31, 2021	**P2,321,260,600**	**P50,000,000**	**P -**	**P250,000,000**	**P12,762,760**	**P9,655,253**	**(P13,720,665)**	**(P1,266,239,509)**	**P1,363,718,439**
Balance at January 1, 2020, as previously stated	P2,100,000,000	P50,000,000	P221,260,600	P200,000,000	P22,207,510	P7,224,616	(P9,745,953)	(P1,488,067,106)	P1,102,879,667
Impact of restatement (Note 30)	-	-	-	-	-	-	-	15,201,383	15,201,383
Balance at January 1, 2020, as restated	2,100,000,000	50,000,000	221,260,600	200,000,000	22,207,510	7,224,616	(9,745,953)	(1,472,865,723)	1,118,081,050
Total Comprehensive Income									
Net income, as previously stated	-	-	-	-	-	-	-	151,949,977	151,949,977
Impact of restatement (Note 30)	-	-	-	-	-	-	-	8,146,188	8,146,188
Net income, as restated	-	-	-	-	-	-	-	160,096,165	160,096,165
Other comprehensive income (loss):									
Items that may be reclassified to profit or loss	-	-	-	-	50,647,331		-	-	50,647,331
Items that will not be reclassified to profit or loss	-	-	-	-	-	(869,088)	(5,634,902)	-	(6,503,990)
	-	-	-	-	50,647,331	(869,088)	(5,634,902)	160,096,165	204,239,506
Issuance of common stock	221,260,600	-	(221,260,600)	-	-	-	-	-	-
Balance at December 31, 2020, as restated	P2,321,260,600	P50,000,000	P -	P200,000,000	P72,854,841	P6,355,528	(P15,380,855)	(P1,312,769,558)	P1,322,320,556

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020 (As restated - Note 30)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P72,151,555**	P159,277,575
Adjustments for:			
Depreciation and amortization	*10, 11, 23*	**42,982,564**	48,463,881
Provision for doubtful accounts	*6, 7, 23*	**32,777,704**	28,840,522
Amortization of bond premium (discount)	*7*	**10,241,921**	7,727,419
Pension expense	*16, 23*	**4,161,884**	3,767,857
Interest expense on lease liabilities	*26*	**2,650,883**	1,325,459
Recovery of impairment on AFS financial asset	*7*	**(300,000)**	-
Loss on sale of property and equipment		**312,456**	-
Gain on sale of AFS financial asset	*7, 19*	**(6,856,829)**	(2,181,479)
Interest income	*19*	**(81,511,452)**	(84,045,489)
		76,610,686	163,175,745
Changes in operating assets and liabilities			
Decrease (increase) in:			
Insurance receivables		**(198,509,939)**	265,978,874
Reinsurance assets		**(115,151,085)**	74,542,527
Loans and receivables		**(13,080,367)**	(16,034,347)
Other assets		**8,793,585**	(6,308,340)
Increase (decrease) in:			
Insurance contract liabilities		**362,870,163**	44,436,589
Insurance payables		**(39,322,605)**	(265,324,990)
Accounts payable and accrued expenses		**(11,812,041)**	92,369,175
Net cash generated from operations		**70,398,397**	352,835,233
Interest received		**81,167,203**	83,662,505
Contributions to the pension assets	*16*	**(3,000,000)**	(3,000,000)
Income tax paid		**(21,365,558)**	(37,725,769)
Net cash provided by operating activities		**127,200,042**	395,771,969

Forward

	Note	2021	2020 (As restated - Note 30)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale/maturities of:			
Short-term investments	*5*	**P -**	P8,060,550
Available-for-sale financial assets	*7*	**209,185,210**	316,174,141
Held-to-maturity financial assets	*7*	**62,500,000**	50,000,000
Property and equipment excluding ROU asset	*10*	**2,506,259**	-
Acquisitions of:			
Short-term investments	*5*	**-**	(3,842,880)
Available-for-sale financial assets	*7*	**(327,745,436)**	(564,851,033)
Held-to-maturity financial assets	*7*	**(64,761,860)**	(50,431,164)
Property and equipment excluding ROU asset	*10*	**(16,253,192)**	(9,158,023)
Intangible assets	*11*	**(32,477,330)**	(84,927,446)
Net cash used in investing activities		**(167,046,349)**	(338,975,855)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	*26*	**(10,134,264)**	(18,682,957)
Contingency surplus	*17*	**50,000,000**	-
Net cash provided by (used in) financing activities		**39,865,736**	(18,682,957)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**19,429**	38,113,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**263,366,056**	225,252,900
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P263,385,485**	P263,366,056

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Generali Life Assurance Philippines, Inc., a wholly owned subsidiary of Generali Asia N.V. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1999, primarily to engage in the business of life insurance. The Company started commercial operations on July 1, 2016.

The Company is a wholly owned subsidiary of Generali Asia N.V. and is part of Generali Group under the Parent Company, Assicurazioni Generali S.p.A.

The Company has a Certificate of Authority No. 2019/54-R issued by the IC to transact in life insurance business until December 31, 2021. The Company renewed its Certificate of Authority valid from January 1, 2022 until December 31, 2024.

The Company's registered address is at the 10th Floor, Petron Mega Plaza Building, Sen. Gil J. Puyat Ave., Makati City, Philippines.

2. Basis of Preparation

Basis of Accounting
These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). They were authorized for issue by the Company's board of directors (BOD) on May 13, 2022.

Details of the Company's significant accounting policies are included in Note 29.

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

Items	Measurement bases
Available-for-sale financial assets (AFS)	Fair value
Legal policy reserves	Gross premium valuation (GPV)
Net pension liability	Present value of defined benefit obligation (DBO) less the fair value of plan assets (FVPA)
Lease liabilities	Present value of lease payments not yet paid discounted using the Company's incremental borrowing rate

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

3. Use of Judgments and Estimates

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

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

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

Classifying Financial Instruments
The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instrument at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting date.

In addition, the Company classifies financial instruments by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial instrument is quoted in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The classification of the Company's financial instruments by categories are presented under Note 7.

Product Classification
The Company has determined that the group insurance policies have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such.

Liability Adequacy Test
The Company evaluates the adequacy of its insurance contract liabilities at least semi-annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

The judgments exercised in liability adequacy testing affect amounts recognized in the financial statements such as commission and other acquisition related expenses, insurance contract benefits and liabilities.

Functional Currency
The Company determined its functional currency to be the Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Company generates and expends cash.

Leases - Determination of Lease Term of Contracts with Renewal and Termination Options - Company as a Lessee
The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal options for the existing leases are not included as part of the lease term because the renewal is subject to mutual agreement of both the lessor and the Company. Furthermore, the periods covered by termination options are included as part of the lease term since they are reasonably certain not to be exercised.

<u>Assumptions and Estimation Uncertainties</u>
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the carrying amounts of assets and liabilities in the next financial year is as follows:

Estimating the Incremental Borrowing Rate - Company as Lessee
Discount rate used to measure lease liabilities at the present value of the contractual payments due to the lessor over the lease term is determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. In estimating the incremental borrowing, the Company considers different factors such as risk-free interest rate, credit risk, credit spread, term and security (if any). Subsequent to initial measurement, lease liabilities increase as a result of interest charged using the same discount rate on the balance outstanding and are reduced for lease payments made.

The Company's lease liabilities amounted to P18.61 million and P4.86 million as at December 31, 2021 and 2020, respectively (see Note 26).

Claims Liability arising from Insurance Contracts
The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. The liability for life insurance contracts are based on assumptions established at the inception of the contract. At each reporting date, the estimates are determined by calculating the unearned portion of the gross premiums written for the year and the gross premium reserves of all in-force long-term policies as at the reporting date.

Incurred but not reported (IBNR) medical claims is computed based on chain ladder method, an actuarial reserving loss technique while IBNR for life claims is computed based on percentage of earned premium. Reserving technique for single premium credit life is based on GPV.

Reinsurance Assumptions and Methods
The Company limits its exposure to loss within insurance operation through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under Insurance Receivables. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The gross carrying values of the legal policy reserves, shown as part of "Insurance contract liabilities", amounted to P584.67 million and P688.03 million as at December 31, 2021 and 2020 respectively (see Note 13).

Impairment of Financial Assets
The Company reviews its insurance receivables, loans and receivables and held-to-maturity (HTM) financial assets at each end of the reporting period to assess whether an allowance for impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income. The allowance for impairment losses recognized as at December 31, 2021 and 2020 amounted to P102.53 million and P78.82 million, respectively (see Notes 6 and 7).

Estimated Useful Lives of Property and Equipment and Intangible Assets
The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The depreciable amount of value of business acquired (VOBA) intangible asset shall be allocated on a systematic basis over its useful life of five (5) years. On the other hand, software (not an integral part of its related hardware) which is included as part of intangible assets, is capitalized at cost and amortized over its estimated useful life of 5 years.

As at December 31, 2021 and 2020, the carrying value of property and equipment (including right-of- use (ROU) assets) amounted to P40.68 million and P30.23 million, respectively (see Note 10) and the carrying value of intangible assets (excluding goodwill) amounted to P138.51 million and P121.18 million, respectively (see Note 11).

Impairment Testing of Non-financial Assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

The Company determines whether goodwill and VOBA intangible asset are impaired on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated and the insurance portfolio to which the VOBA intangible asset is attributable. Details of the key assumptions used in the estimation of the recoverable amounts are disclosed in Note 11. The carrying values of these assets are disclosed below:

	2021	2020
Goodwill	**P23,353,142**	P23,353,142
VOBA	**-**	2,540,000
	P23,353,142	P25,893,142

In 2021 and 2020, no impairment was recognized for these intangible assets (see Note 11).

Valuation of Pension Obligation
The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, salary increase rate, mortality rate, disability rate and turnover rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The cost of defined benefit and defined contribution plans and the present value of the corresponding pension obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a DBO is highly sensitive to changes in these assumptions.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the DBO.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As at December 31, 2021 and 2020, the Company has net pension liability of P3.33 million and P4.93 million, respectively. Further details about the assumptions used are provided in Note 16.

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

Deferred tax assets amounted to P38.81 million as at December 31, 2021 and P39.79 million as at December 31, 2020 (see Note 24).

As at December 31, 2021 and 2020, the Company has unrecognized deferred tax assets amounting to P42.00 million and P89.88 million, respectively, as it does not expect to generate sufficient taxable income from which said tax assets may be utilized (see Note 24).

Contingencies
The Company is currently involved in various legal proceedings carried over from its non-life insurance business. The estimate of the probable costs for the resolution of these claims are minimal. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be affected by changes in these estimates.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2021**	2020
Cash in banks	*27*	**P263,365,485**	P168,072,056
Cash on hand		**20,000**	10,000
Cash equivalents	*27*	**-**	95,284,000
		P263,385,485	P263,366,056

Cash in banks earn interest at the respective banks' deposit rates.

Cash equivalents are made for varying periods of up to three (3) months or less depending on the immediate cash requirements of the Company, and earn interest ranging from 0.125% to 5.07% and 0.25% to 6.00% in 2021 and 2020, respectively.

Interest income on cash and cash equivalents amounted to P0.61 million and P1.65 million in 2021 and 2020, respectively (see Note 19).

Accrued interest income on cash and cash equivalents amounted to nil and P2,176 in 2021 and 2020, respectively. (see Note 8).

5. Short-term Investments

The movements in this account are as follows:

	2021	2020
Balance at beginning of year	**P -**	P4,217,670
Additions	**-**	3,842,880
Maturities	**-**	(8,060,550)
Balance at end of year	**P -**	P -

Short-term investments consist of time deposits with maturities of more than three (3) months but less than one (1) year from dates of placement and earn interest ranging from 0.008% to 1.500% per annum.

Interest income earned on short-term investments amounted to nil and P24,263 in 2021 and 2020, respectively (see Note 19).

6. Insurance Receivables

This account consists of:

	Note	**2021**	2020
Premiums due and uncollected	*27*	**P622,181,731**	P484,566,473
Reinsurance recoverable on paid losses	*27*	**215,075,388**	163,242,719
		837,257,119	647,809,192
Less allowance for impairment losses		**65,872,398**	45,500,300
		P771,384,721	P602,308,892

Premiums due and uncollected pertain to premiums receivable net of loadings from policyholders. Decrease in loadings for receivables aged less than 90 days amounted to P6.01 million and P4.90 million in 2021 and 2020, respectively, recognized as part of change in insurance contract liabilities.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims paid by the Company.

The following table shows aging information of insurance receivables:

	December 31, 2021				
	Less than 30 Days	**31 to 120 Days**	**121 to 180 Days**	**More than 180 Days**	**Total**
Premium due and uncollected	**P93,488,21881**	**P369,351,555**	**P43,563,332**	**P115,778,563**	**P622,181,731**
Reinsurance recoverable on paid losses	**59,453,410**	**144,889,899**	**4,510,732**	**6,221,347**	**215,075,388**
	P152,941,691	**P514,241,454**	**P48,074,064**	**P121,999,910**	**P837,257,119**

	December 31, 2020				
	Less than 30 Days	31 to 120 Days	121 to 180 Days	More than 180 Days	Total
Premium due and uncollected	P94,265,229	P282,442,520	P29,227,965	P78,630,759	P484,566,473
Reinsurance recoverable on paid losses	100,571,179	57,512,108	5,159,432	-	163,242,719
	P194,836,408	P339,954,628	P34,387,397	P78,630,759	P647,809,192

The movements in allowance for impairment losses on insurance receivables are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P45,500,300**	P23,131,735
Provision during the year	*23*	**29,434,110**	22,368,565
Write off during the year	*23*	**(9,062,011)**	-
Balance at end of year		**P65,872,399**	P45,500,300
Individually impaired		**P22,592,026**	P10,968,710
Collectively impaired		**43,280,373**	34,531,590
Total		**P65,872,399**	P45,500,300

The Company determines its allowance for impairment losses on insurance receivables based on collective assessment and specific assessment. Following an agreement with Assicurazioni Generali S.p.A. that RI premium remittances shall be based only on collected premiums, hence the uncollected premium receivable balances were not provided with allowance for impairment loss.

7. Financial Assets

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

	Note	**2021**	2020
AFS financial assets		**P1,777,113,872**	P1,726,747,511
HTM financial assets		**228,937,885**	227,325,944
Loans and receivables		**37,790,594**	28,053,821
	27	**P2,043,842,351**	P1,982,127,276

The assets included in each of the categories above are detailed below:

AFS Financial Assets
The Company's AFS financial assets consist of the following categories carried at fair value except for the unquoted equity securities which are carried at cost:

	Note	**2021**	2020
Government securities		**P1,702,483,102**	P1,497,487,772
Corporate bonds		**73,759,770**	228,688,739
Club shares		**800,000**	500,000
Unquoted equity securities		**71,000**	71,000
	27	**P1,777,113,872**	P1,726,747,511

The AFS financial assets earn interest at weighted average rate of 4.14% and 5.46% in 2021 and 2020, respectively. Interest income earned on AFS financial assets amounted to P70.45 million and P72.45 million in 2021 and 2020, respectively (see Note 19).

Accrued interest income on AFS financial assets amounted to P16.87 million and P16.14 million as at December 31, 2021 and 2020, respectively (see Note 8).

The Company's accrued dividend income on unquoted equity securities is P0.02 million as at December 31, 2021 and 2020 for PLDT preferred shares.

In 2021, the Company recognized a gain due to the recovery in the fair value of its investments in equity securities amounting to P0.30 million and was recorded as part of other income.

The realized gains arising from disposals of AFS financial assets amounted to P6.86 million and P2.18 million in 2021 and 2020, respectively (see Note 19).

The rollforward of unrealized gains on AFS financial assets follows:

	2021	2020
Balance at beginning of year	**P72,854,841**	P22,207,510
Changes in fair value of AFS financial assets during the year	**(60,092,081)**	50,647,331
Balance at end of year	**P12,762,760**	P72,854,841

HTM Financial Assets
This category consists of fixed interest rate government securities with original maturities of more than five years deposited with the Philippine Bureau of Treasury in accordance with the provisions of the Insurance Code (the Code) as security for the benefit of its policyholders and creditors.

The HTM financial assets earned interest at weighted average rate of 4.51% and 4.68% in 2021 and 2020, respectively. Interest income earned on HTM financial assets amounted to P10.46 million and P9.92 million in 2021 and 2020, respectively (see Note 19).

Accrued interest income on HTM financial assets is P2.63 million and P3.01million as at December 31, 2021 and 2020 respectively (see Note 8).

The carrying values of AFS financial assets and HTM financial assets have been determined as follows:

	Note	December 31, 2021		
		AFS	**HTM**	**Total**
Balance at beginning of year		**P1,726,747,511**	**P227,325,944**	**P1,954,073,455**
Acquisitions during the year		**327,745,436**	**64,761,860**	**392,507,296**
Maturities during the year		**(18,336,868)**	**(62,500,000)**	**(80,836,868)**
Disposal of AFS financial asset securities		**(190,848,342)**	**-**	**(190,848,342)**
Fair value gain		**(65,758,692)**	**-**	**(65,758,692)**
Gain on sale of AFS financial assets		**6,856,829**	**-**	**6,856,829**
Amortization of bond (premium) discount		**(9,592,002)**	**(649,919)**	**(10,241,921)**
Recovery of impairment loss		**300,000**	**-**	**300,000**
Balance at end of year	*27*	**P1,777,113,872**	**P228,937,885**	**P2,006,051,757**

	Note	December 31, 2020		
		AFS	HTM	Total
Balance at beginning of year		P1,428,366,934	P226,602,870	P1,654,969,804
Acquisitions during the year		564,851,033	50,431,164	615,282,197
Maturities during the year		(44,978,749)	(50,000,000)	(94,978,749)
Disposal of AFS financial asset securities		(271,195,392)	-	(271,195,392)
Fair value gain		55,541,535	-	55,541,535
Gain on sale of AFS financial assets		2,181,479	-	2,181,479
Amortization of bond (premium) discount		(8,019,329)	291,910	(7,727,419)
Balance at end of year	*27*	P1,726,747,511	P227,325,944	P1,954,073,455

Loans and Receivables

	Note	**2021**	2020
Due from policyholders	*27*	**P73,808,157**	60,326,286
Due from employees	*27*	**644,934**	1,038,338
Due from Generali Asia N.V.	*25*	**-**	8,100
		74,453,091	61,372,724
Less allowance for impairment losses		**36,662,497**	33,318,903
		P37,790,594	P28,053,821

Due from policyholders pertains to fees billed to policyholders for the use of medical cards, collectible amounts paid by the Company in excess of the policyholder's maximum medical benefits, and retainer's fee for services provided by medical practitioners.

Due from employees pertains to receivables from employees for their group health benefits and multi-purpose loans.

Due from Generali Asia N.V. pertains to shared services billed to Generali Asia N.V.

The rollforward of allowance for doubtful accounts on loans and receivables follows:

	Note	**2021**	2020
Balance at beginning of year		**P33,318,903**	P26,846,946
Provision during the year	*23*	**3,343,594**	6,471,957
Balance at end of year		**P36,662,497**	P33,318,903
Individually impaired		**P913,694**	P913,694
Collectively impaired		**35,748,803**	32,405,209
		P36,662,497	P33,318,903

8. Accrued Income

This account consists of interest and dividend income accrued on the following:

	Note	2021	2020
AFS financial assets	*7*	**P16,867,045**	P16,141,453
HTM financial assets	*7*	**2,634,444**	3,013,611
Cash and cash equivalents	*4*	**-**	2,176
	27	**P19,501,489**	P19,157,240

9. Reinsurance Assets

This account consists of:

	Note	2021	2020
Reinsurance recoverable on unpaid losses	*13*	**P265,676,704**	P165,593,294
Deferred reinsurance premiums	*13*	**171,797,519**	156,729,844
		P437,474,223	P322,323,138

Reinsurance recoverable on unpaid losses pertains to amounts recoverable from the reinsurers with respect to claims that remain unsettled as at reporting date.

Deferred reinsurance premiums pertain to the share of the reinsurers with respect to the legal policy reserves set up by the Company for group life policies.

10. Property and Equipment

The movements in this account are as follows:

	For the Year Ended 2021						
	Electronic Data Processing Equipment	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Right-of-Use Assets**	**Construction in Progress**	**Total**
Cost							
Balance at beginning of year	**P63,327,927**	**P1,684,427**	**P3,878,461**	**P29,472,541**	**P38,101,492**	**P1,433,690**	**P137,898,538**
Additions	**13,947,587**	**-**	**-**	**527,605**	**24,850,533**	**1,778,000**	**41,103,725**
Disposals	**(4,755,939)**	**(48,439)**	**(163,680)**	**-**	**(30,710,199)**	**-**	**(35,678,257)**
Reclassification	**-**	**-**	**-**	**1,433,690**	**-**	**(1,433,690)**	**-**
Balance at end of year	**72,519,575**	**1,635,988**	**3,714,781**	**31,433,836**	**32,241,826**	**1,778,000**	**143,324,006**
Accumulated Depreciation							
Balance at beginning of year	**46,432,497**	**1,450,230**	**3,347,050**	**26,001,371**	**30,438,218**	**-**	**107,669,366**
Depreciation	**11,415,605**	**157,712**	**391,695**	**3,497,090**	**12,373,276**	**-**	**27,835,378**
Disposals	**(1,994,056)**	**-**	**(155,286)**	**-**	**(30,710,200)**	**-**	**(32,859,542)**
Balance at end of year	**55,854,046**	**1,607,942**	**3,583,459**	**29,498,461**	**12,101,294**	**-**	**102,645,202**
Carrying Amount	**P16,665,529**	**P28,046**	**P131,322**	**P1,935,375**	**P20,140,532**	**P1,778,000**	**P40,678,804**

	For the Year Ended 2020						
	Electronic Data Processing Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Right-of-Use Assets	Construction in Progress	Total
Cost							
Balance at beginning of year	P54,919,863	P1,635,988	P3,691,641	P28,957,841	P38,101,492	P1,433,690	P128,740,515
Additions	8,408,064	48,439	186,820	514,700	-	-	9,158,023
Balance at end of year	63,327,927	1,684,427	3,878,461	29,472,541	38,101,492	1,433,690	137,898,538
Accumulated Depreciation							
Balance at beginning of year	34,209,202	1,120,374	2,590,857	20,129,964	14,812,940	-	72,863,337
Depreciation	12,223,295	329,857	756,192	5,871,407	15,625,278	-	34,806,029
Balance at end of year	46,432,497	1,450,231	3,347,049	26,001,371	30,438,218	-	107,669,366
Carrying Amount	P16,895,430	P234,196	P531,412	P3,471,170	P7,663,274	P1,433,690	P30,229,172

There are no fully depreciated assets still in use and no temporary idle property and equipment items as at December 31, 2021 and 2020.

11. Intangible Assets

The movements in this account are as follows:

	For the Year Ended December 31, 2021				
	Goodwill	**VOBA**	**Computer Software**	**Systems Development in Progress**	**Total**
Cost					
Balance at beginning of year	**P23,353,142**	**P25,400,000**	**P51,176,880**	**P66,073,706**	**P166,003,728**
Additions	**-**	**-**	**15,380,991**	**17,096,339**	**32,477,330**
Reclassification	**-**	**-**	**9,025,352**	**(9,025,352)**	**-**
Balance at end of year	**23,353,142**	**25,400,000**	**75,583,223**	**74,144,693**	**198,481,058**
Accumulated Amortization					
Balance at beginning of year	**-**	**22,860,000**	**21,968,658**	**-**	**44,828,658**
Amortization	**-**	**2,540,000**	**12,607,185**	**-**	**15,147,185**
Balance at end of year	**-**	**25,400,000**	**34,575,843**	**-**	**59,975,843**
Carrying Amount	**P23,353,142**	**P -**	**P41,007,380**	**P74,144,693**	**P138,505,215**

	For the Year Ended December 31, 2020				
	Goodwill	VOBA	Computer Software	Systems Development in Progress	Total
Cost					
Balance at beginning of year	P23,353,142	P25,400,000	P32,323,140	P -	P81,076,282
Additions	-	-	18,853,740	66,073,706	84,927,446
Balance at end of year	23,353,142	25,400,000	51,176,880	66,073,706	166,003,728
Accumulated Amortization					
Balance at beginning of year	-	17,780,000	13,390,806	-	31,170,806
Amortization	-	5,080,000	8,577,852	-	13,657,852
Balance at end of year	-	22,860,000	21,968,658	-	44,828,658
Carrying Amount	P23,353,142	P2,540,000	P29,208,222	P66,073,706	P121,175,070

Goodwill
Goodwill arising from business combination executed by the Company on June 30, 2016 has been allocated to the group life insurance CGU. As part of the agreement, the Company absorbed certain employees from BDO Life who were involved in sales and operations. For these employees, benefits amounting to P40.84 million were assumed by the Company which include retirement liabilities of P38.90 million and of this amount, P17.48 million was reinvested to the retirement fund in cash. The residual goodwill of P23.35 million represents future synergies expected to arise in the value of new business from new distribution channels and customers going forward, and the value of the workforce and management and other future business not included in the value of business acquired. The recoverable amount of the group life insurance business has been determined based on a value in use (VIU) calculation using cash flow projections using financial budgets approved by management covering a five-year period. A pre-tax Company-specific risk-adjusted discount rate of 10% is used. The projected cash flows were determined by budgeted margins based on management expectations for market developments.

The key assumptions used for the VIU impairment calculation are:

a) Discount rate - A pre-tax Company-specific risk-adjusted discount rate of 13.3% is used.
b) Investment market conditions - Investment market conditions are based on market research and published statistics. Management plans assume investment growth of 4.55% and 5.26% in 2021 and 2020, respectively.
c) Premium renewals - Management plans assume a renewal rate of 88% and 85% of group premium income from recent experiences in 2021 and 2020, respectively.
d) Claims - Management plans assume the most recent experiences on mortality rates and loss ratios in projecting the claims.
e) Expenses - Estimates are obtained from published indices of inflation and market research. The financial budget plans assume that expenses will broadly increase in line with inflation.

In 2021 and 2020, no impairment loss has been recognized as a result of the impairment review made by management.

Value of Business Acquired
VOBA was acquired as a result of the business combination. The Company assumed the identifiable assets and liabilities of the group insurance portfolio transferred by BDO Life with fair values as at the acquisition date amounting to P685.32 million and P880.52 million for total cash consideration of P169.80 million. VOBA intangible asset of P25.40 million represent the difference in the fair values of net assets assumed and the cash consideration received.

VOBA is amortized on a straight-line basis over 5 years which management estimated as the economic useful life of the asset. As at December 31, 2021 and 2020, management has determined that there are no impairment indicators in respect of this intangible asset.

Systems development in progress refers to costs pertaining to software development where no amortization is recognized until the development is completed and the asset is placed into service in 2022.

12. Other Assets

This account consists of:

	Note	2021	2020 (as restated - Note 30)
Creditable withholding taxes (CWT)		**P71,879,566**	P51,068,394
Hospital deposits	*27*	**10,743,055**	4,066,640
Prepayments		**4,907,593**	31,326,855
Rental deposits	*27*	**2,781,786**	9,348,679
Input VAT		**785,152**	1,117,629
Security fund	*27*	**311,909**	311,908
Bank advances	*27*	**-**	2,962,541
		P91,409,061	P100,202,646

CWTs are the taxes withheld on certain income payments and are available for offset against income tax due in subsequent years.

Hospital deposits consist of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These deposits will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Prepayments include advance payments for rent and software subscription license. Further, the Company has an existing telemedicine program with Medgate Philippines where the latter shall provide non-emergency and non-life-threatening treatment and prescriptions to eligible members over the phone or, if required, video conference over the internet. An annual fee is being paid by the Company recorded as part of prepaid expenses and amortized based on the actual enrolled members during the year, with a 6-month additional period to meet the required number of enrollees stated in the contract. Amortization for 2021 and 2020 amounted to P14 million, recognized as part of gross insurance benefits and claims paid (see Note 21).

Rental deposits pertain to security deposits for the Company's lease agreements for its head office and branch offices.

Security fund is maintained in compliance with Sections 365 and 367 of the Code. The amount of the security fund is determined by and deposited with the IC to pay benefit claims, which might remain unpaid, against insolvent insurance companies.

13. Insurance Contract Liabilities

Insurance contract liabilities and reinsurer's share of liabilities are analyzed as follows:

	2021			2020		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Provision for claims reported	**P917,331,738**	**P248,807,993**	**P668,523,745**	P479,998,080	P149,488,965	P330,509,115
Provision for IBNR	**116,388,660**	**16,868,711**	**99,519,949**	87,494,591	16,104,330	71,390,261
Total claims reported and IBNR	**1,033,720,398**	**265,676,704**	**768,043,694**	567,492,671	165,593,295	401,899,376
Legal policy reserves	**584,667,788**	**171,797,519**	**412,870,269**	688,025,352	156,729,844	531,295,508
Total Insurance Contract Liabilities	**P1,618,388,186**	**P437,474,223**	**P1,180,913,963**	P1,255,518,023	P322,323,139	P933,194,884

Provisions for claims reported and IBNR may be analyzed as follows:

	2021			2020		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Balance at beginning of year	**P567,492,671**	**P165,593,295**	**P401,899,376**	P534,982,336	P188,947,733	P346,034,603
Claims incurred/adjusted during the year	**2,386,975,270**	**892,738,235**	**1,494,237,035**	1,113,290,122	488,678,764	624,611,358
Increase in IBNR	**28,894,068**	**764,381**	**28,129,687**	7,836,344	5,914,403	1,921,941
Total claims reported and IBNR	**2,983,362,009**	**1,059,095,911**	**1,924,266,098**	1,656,108,802	683,540,900	972,567,902
Claims paid during the year	**(1,949,641,611)**	**(793,419,207)**	**(1,156,222,404)**	(1,088,616,131)	(517,947,605)	(570,668,526)
Balance at end of year	**P1,033,720,398**	**P265,676,704**	**P768,043,694**	P567,492,671	P165,593,295	P401,899,376

The reinsurers' share for commissions to agents and brokers paid by the Company, premium taxes and other attributable expenses to premiums amounted to P161.02 million and P186.35 million in 2021 and 2020, respectively. These were recognized as reduction from premiums due to reinsurer under insurance payables forming part of the changes in reinsurer's share of liabilities.

The movements in legal policy reserves are as follows:

	2021			2020		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Balance at beginning of year	**P688,025,352**	**P156,729,844**	**P531,295,508**	P668,049,238	P207,917,932	P460,131,306
Due to change in discount rates	**(3,678,430)**	**-**	**(3,678,430)**	8,049,860	-	8,049,860
Due to change in policies and assumptions	**(99,679,134)**	**15,067,675**	**(114,746,809)**	11,926,254	(51,188,088)	63,114,342
Balance at end of year	**P584,667,788**	**P171,797,519**	**P412,870,269**	P688,025,352	P156,729,844	P531,295,508

Movement of cumulative remeasurement effect recognized in other comprehensive income (OCI):

	Note	**2021**	2020
Balance at beginning of year		**(P21,972,650)**	(P13,922,790)
Remeasurement loss on life insurance reserves		**3,678,430**	(8,049,860)
Balance at end of year		**(18,294,220)**	(21,972,650)
Tax effect	*24*	**4,573,555**	6,591,795
		(P13,720,665)	(P15,380,855)

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

The assumptions that have the greatest effect on the statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

2021	**Change in Assumptions**	**Increase/ (Decrease) in Liabilities**
Mortality	**10.00%**	**P13,110,870**
	-10.00%	**(13,129,025)**
Discount rate	**-1.00%**	**1,976,833**

2020	Change in Assumptions	Increase/ (Decrease) in Liabilities
Mortality	+10.00%	P26,658,254
	-10.00%	(26,749,395)
Discount rate	-1.00%	4,005,646

14. Insurance Payables

This account represents unpaid reinsurance premiums by the Company to reinsurers amounting to P609.90 million and P649.23 million as at December 31, 2021 and 2020, respectively (see Note 27).

15. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2021**	2020
Accrued expenses	*27*	**P115,870,023**	P123,817,427
Accounts payable	*27*	**34,368,645**	26,203,366
Unallocated collections from policyholders		**26,604,697**	49,181,203
Taxes payable		**21,977,234**	25,646,694
Administrative services only (ASO) funds		**14,951,660**	5,332,697
Trust fees payable	*27*	**1,180,323**	1,189,323
Other payables		**4,617,083**	10,996
		P219,569,665	P231,381,706

Accrued expenses include accruals for audit, legal fees, rent, utilities and other expenses necessary to carry out the operations of the Company. These are normally settled within one year.

Accounts payable pertain to unpaid purchases of goods and services from supplier.

Unallocated collections pertain to payments from policyholders which have not been allocated to specific invoices.

Taxes payable include taxes withheld from staffs and agents, fringe benefits taxes, expanded withholding taxes, and premium taxes which are remitted subsequent to the reporting date.

ASO funds pertain to funds maintained under a third-party administration program used to pay out for the medical and hospitalization services availed by the members.

Trust fees payable pertain to fees payable to the Company's trustee bank.

Other payables include payments due to Philippine Health Insurance Corporation, Social Security System and Home Development Mutual Fund which are to be remitted the following month.

16. Net Pension Liability

The Company has a trusteed defined benefit plan and a non-contributory defined contribution plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The Company's pension plans were approved by BIR on August 3, 2020.

The most recent actuarial valuation was carried out for the retirement plan of the Company as at December 31, 2021.

The following table shows reconciliation from the opening balances to the closing balances for net pension liability and its components.

	DBO		FVPA		Net Pension Liability	
	2021	2020	**2021**	2020	**2021**	2020
Balance at January 1	**P51,446,567**	P45,628,680	**(P46,516,504)**	(P42,708,029)	**P4,930,063**	P2,920,651
Included in Profit or Loss						
Current service cost	**3,976,940**	3,613,063	**-**	-	**3,976,940**	3,613,063
Interest cost (income)	**1,594,844**	2,418,320	**(1,409,900)**	(2,263,526)	**184,944**	154,794
	5,571,784	6,031,383	**(1,409,900)**	(2,263,526)	**4,161,884**	3,767,857
Included in OCI						
Remeasurements (gains) losses:						
Actuarial loss arising from:						
Return on plan assets, excluding interest income	**-**	-	**2,316,971**	1,455,051	**2,316,971**	1,455,051
Experience adjustment	**(1,838,684)**	(5,201,988)	**-**	-	**(1,838,684)**	(5,201,988)
Financial assumption	**(3,236,788)**	4,988,492	**-**	-	**(3,236,788)**	4,988,492
	(5,075,472)	(213,496)	**2,316,971**	1,455,051	**(2,758,501)**	1,241,555
Others						
Contributions to plan assets	**-**	-	**(3,000,000)**	(3,000,000)	**(3,000,000)**	(3,000,000)
Balance at December 31	**P51,942,879**	P51,446,567	**(P48,609,433)**	(P46,516,504)	**P3,333,446**	P4,930,063

The Company's pension expense are summarized as follows:

	2021	2020
Pension expense:		
Defined benefit plan	**P3,002,282**	P2,974,704
Defined contribution plan	**1,159,602**	793,153
	P4,161,884	P3,767,857

The Company's plan assets consist of the following:

	2021	2020
Cash and cash equivalents	**P3,977,599**	P1,330,146
Equity investments	**14,261,931**	12,546,153
Government securities	**30,950,102**	26,608,491
Other securities and debt instruments	**-**	5,867,627
Other receivables	**940,227**	192,311
Accounts payable	**(1,520,426)**	(28,224)
	P48,609,433	P46,516,504

The expected contribution to the defined benefit plan in 2022 is P7.95 million.

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as at reporting dates.

The principal assumptions used in determining the DBO for the Company in 2021 and 2020 are as follows:

	2021	2020
Discount rate	**4.30%**	3.10%
Salary increase rate	**4.00%**	4.00%
Expected average remaining working lifetime	**13 years**	12 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the DBO, assuming all other assumptions were held constant:

	Increase (Decrease) in Rates	**Increase (Decrease) in Present Value of DBO**	
		2021	2020
Discount rate	1.00%	**P1,729,160**	(P2,141,145
	(1.00%)	**5,935,619**	8,344,783
Salary increase rate	1.00%	**5,593,055**	7,961,553
	(1.00%)	**1,997,737**	2,423,165

The maturity analysis of the undiscounted benefit payments as at December 31, 2021 and 2020 follows:

	2021	2020
Within five (5) years	**P44,549,976**	P45,341,577
More than 5 years to 10 years	**14,761,214**	15,758,220
More than 10 years to 15 years	**6,408,486**	8,052,775
More than 15 years	**7,819,587**	26,949,580
	P73,539,263	P96,102,152

17. Equity

Capital stock

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

	Number of Shares		Amount	
	2021	2020	**2021**	2020
Authorized Capital Stock				
Common capital stock - P100 par value	**13,800,000**	13,800,000	**P1,380,000,000**	P1,380,000,000
Preferred capital stock - P100 par value	**12,000,000**	12,000,000	**1,200,000,000**	1,200,000,000
	25,800,000	25,800,000	**P2,580,000,000**	P2,580,000,000
Common Stock				
Issued and outstanding:				
Balance at beginning of year	**11,570,007**	9,357,401	**P1,157,000,700**	P935,740,100
Reclassification from deposit for future stock subscriptions	**-**	2,212,606	**-**	221,260,600
Balance at end of year	**11,570,007**	11,570,007	**1,157,000,700**	1,157,000,700
Preferred Stock				
Issued and outstanding:				
Balance at beginning and end of year	**11,642,599**	11,642,599	**1,164,259,900**	1,164,259,900
	23,212,606	23,212,606	**P2,321,260,600**	P2,321,260,600

Common Stock

The Company has only one class of common stock which carry no right to fixed income.

Preferred Stock

The Company's preferred stock are redeemable at the option of the Company at any time from their issuance and upon payment of aggregate issue value, and provided that the Company has sufficient retained earnings. The redemption price will be at par value and calculated to give the holders an estimated return of 30% per annum.

Preferred stockholders have preference over common stockholders with respect to payment of dividends and distribution of assets upon dissolution. Moreover, no voting right is vested on the preferred stockholders, except for the cases provided for under Section 6, paragraph 6 of the Revised Corporation Code of the Philippines.

Deposits for Future Stock Subscriptions

As at December 31, 2019, a total amount of P221.26 million is presented separately as deposits for future subscription under equity based on the following facts:

a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
b) The BOD and stockholders have approved the proposed increase in authorized capital stock (for which a deposit was received by the Company);
c) Application for the approval of the proposed increase has been filed with the SEC. The Commission is yet to approve the pending application as at December 31, 2019.

The deposit for future stock subscriptions consist of P100.00 million of capital received from Generali Asia N.V. in 2019 and P121.26 million in 2018.

In 2020, the SEC approved the proposed increase in authorized capital stock. The P221.26 million deposit for future stock subscription as at December 31, 2019 was then completely transferred to issued and outstanding capital stock as at December 31, 2020.

Contingency surplus
In July 2021, the Company received P50,000,000 from its parent company, Generali Asia NV to strengthen its solvency ratio. No issuance of shares were made for the corresponding capital injection.

18. Net Insurance Premiums

Gross insurance premiums and reinsurers' share of gross insurance premiums consist of the following:

	2021	2020
Gross insurance premiums	**P2,471,431,885**	P2,270,991,007
Reinsurers' share of gross insurance premiums on insurance contracts	**(801,008,902)**	(933,668,856)
Net insurance premiums	**P1,670,422,983**	P1,337,322,151

19. Investment Income

This account consists of:

	Note	**2021**	2020
Interest income on:			
AFS financial assets	*7*	**P70,447,036**	P72,449,697
HTM financial assets	*7*	**10,455,984**	9,919,085
Short-term investment	*5*	**-**	24,263
Cash and cash equivalents	*4*	**608,432**	1,652,444
Gain on sale of AFS financial assets	*7*	**6,856,829**	2,181,479
		P88,368,281	P86,226,968

20. Medical Service Fee and Other Income

This account consists of:

	2021	2020
Annual physical examination	**P9,388,325**	P10,797,569
Retainer fee	**4,464,435**	4,240,543
Network access fee	**2,816,646**	2,967,808
Dental access fee	**881,502**	1,747,192
Other income	**1,761,814**	2,038,813
	P19,312,722	P21,791,925

Annual physical examination are fees charged for the routine annual medical examination, facilitated by a physician through physical examination and a set of diagnostic tests done on enrolled members as part of their health insurance coverage or as part of preventive and wellness program.

Retainer fee is for the amounts paid by the policyholders to secure the services of a medical professional.

Network access fee relates to membership fee paid by the policyholders for the use of accredited hospitals, clinics and doctor's network for a no cash-out arrangement in case of in-patient and out-patient availments. This also includes fees paid by third parties to the Company for handling medical and health expenses of the said third parties.

Dental access fee pertains to fee paid by the policyholders for accessing the Company's network of accredited dental clinics and dentists.

Other income represents recoveries from staled checks that have already been replaced and reversal of liabilities that are no longer valid obligation of the Company.

21. Net Insurance Benefits and Claims

Net insurance contract benefits and claims consist of:

	Note	**2021**	2020
Net insurance contract benefits and claims paid:	*13*		
Insurance contract benefits and claims paid		**P1,949,641,612**	P1,220,452,746
Reinsurers' share of insurance contract benefits and claims paid		**(793,419,207)**	(680,098,740)
		1,156,222,405	540,354,006
Net change in insurance contract liabilities:	*13*		
Gross change in insurance contract liabilities		**(70,433,560)**	24,664,191
Reinsurers' share of gross change in outstanding claims provisions		**(112,990,507)**	75,668,893
		(183,424,067)	100,333,084
Net insurance benefits and claims		**P972,798,338**	P640,687,090

The Company has claims expense transactions for annual physical examination, dental fee, network access fee, and retainer's fee for premium-based policies amounting to P93 million in 2021 and 2020, respectively.

22. Commission Expense

This account consists of:

	2021	2020
Gross commission expense	**P298,190,693**	P223,057,969
Reinsurers' share of commission expense	**(50,864,006)**	(69,863,407)
	P247,326,687	P153,194,562

23. General and Administrative Expenses

This account consists of:

	Note	**2021**	2020
Salaries, wages and other employee benefits		**196,903,392**	P183,966,939
Taxes and licenses		**72,890,631**	51,538,994
Depreciation and amortization	*10, 11*	**42,982,564**	48,463,881
Contracted services		**34,812,741**	36,216,155
Provision for impairment losses	*6, 7*	**32,777,704**	28,840,522
IT-related expenses		**29,609,979**	17,551,645
Professional and management fees		**10,832,821**	27,203,823
Pension expense - defined contribution		**10,643,890**	5,400,000
Communication and utilities		**8,352,769**	25,112,195
Branding fee		**8,304,011**	9,620,159
Investment management fees		**4,478,703**	4,140,327
Pension expense - defined benefit		**4,161,884**	3,767,857
Medical fees		**2,419,428**	2,238,813
Travel and transportation		**2,330,161**	2,402,411
Rental and association dues	*26*	**2,177,568**	6,241,499
Training and meetings		**1,959,212**	1,084,134
Office supplies and postage		**1,364,792**	5,446,797
Entertainment, amusement and representation		**1,256,490**	2,332,486
Repairs and maintenance		**194,506**	419,695
Other expenses		**13,141,174**	24,221,011
		P481,594,420	P486,209,343

Other expenses consist mainly of membership dues, bank charges, premises management expenses, advertisements and promotions.

24. Income Tax

The provision for income tax expense (benefit) consists of:

	2021	2020
Current income tax	**P4,117,144**	P10,243,015
Deferred income tax		
Current	**1,526,014**	(29,451,022)
Impact of change in tax rate	**1,617,738**	-
	3,153,751	(29,451,022)
Final income tax	**18,350,611**	18,389,417
	P25,621,506	(P818,590)
Recognized in OCI		
Current	**P2,903,225**	P6,936,695
Impact of change in tax rate	**250,526**	-
	P3,153,751	P6,936,695

On March 26, 2021, the R.A. No. 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time bound, targeted and performance based.

Among others, the Act includes the following significant revisions:

- Effective July 1, 2020, domestic corporations with total assets not exceeding P100.00 million and net taxable income of P5.00 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate;

- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% from July 1, 2020 to June 30, 2023;

- Percentage tax for non-VAT taxpayers is reduced from 3% to 1% from July 1, 2020 to June 30, 2023; and

- Repeal of the improperly accumulated earnings tax.

The components and movements of the Company's deferred tax assets (liabilities) - net follow:

2021	At January 1	Recognized in Profit or Loss	Recognized in OCI	At December 31
Deferred Tax Assets				
Allowance for impairment losses	**P4,457,967**	**P4,042,508**	**P -**	**P8,500,475**
Lease liability	**-**	**4,653,286**	**-**	**4,653,286**
Unrealized foreign exchange loss	**1,394,105**	**(998,579)**	**-**	**395,526**
NOLCO	**27,344,241**	**(6,657,395)**	**-**	**20,686,846**
Remeasurement loss on life insurance reserves	**6,591,795**	**-**	**(2,018,240)**	**4,573,555**
	39,788,108	**1,039,820**	**(2,018,240)**	**38,809,688**
Deferred Tax Liabilities				
Right-of-use of assets	**(841,562)**	**(4,193,571)**	**-**	**(5,035,133)**
Remeasurement gain on pension obligation	**(2,723,798)**	**-**	**(494,620)**	**(3,218,418)**
Unrealized gain on AFS	**(8,878,507)**	**-**	**5,666,611**	**(3,211,896)**
	(12,443,867)	**(4,193,571)**	**5,171,991**	**(11,465,447)**
	P27,344,241	**(P3,153,751)**	**P3,153,751**	**P27,344,241**

2020	At January 1	Recognized in Profit or Loss	Recognized in OCI	At December 31
Deferred Tax Assets				
Allowance for impairment losses	P3,154,982	P1,302,985	P -	P4,457,967
Lease liability	6,664,670	(6,664,670)	-	-
Unrealized foreign exchange loss	70,644	1,323,461	-	1,394,105
NOLCO	-	27,344,241	-	27,344,241
Remeasurement loss on life insurance reserves	4,176,837	-	2,414,958	6,591,795
	14,067,133	23,306,017	2,414,958	39,788,108
Deferred Tax Liabilities				
Right-of-use of assets	(6,986,566)	6,145,004	-	(841,562)
Remeasurement gain on pension obligation	(3,096,264)	-	372,466	(2,723,798)
Unrealized gain on AFS	(3,984,303)	-	(4,894,204)	(8,878,507)
	(14,067,133)	6,145,004	(4,521,738)	(12,443,867)
	P -	P29,451,021	(P2,106,780)	P27,344,241

The table below shows the temporary differences for which no deferred tax assets have been set up because the Company believes that there will be no future taxable profit against which the benefit from these assets could be utilized.

	2021	2020
Presented in Profit or Loss		
Deferred tax assets on:		
Allowance for impairment losses	**P21,345,617**	P19,187,794
Excess of MCIT over regular corporate income tax	**20,656,260**	17,460,598
NOLCO	**-**	53,226,716
	P42,001,877	P89,875,108

NOLCO

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act*, which provides that the NOLCO incurred for taxable years 2021 and 2020 can be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO not covered by RR No. 25-2020 which could be carried over as a deduction from the Company's future taxable income for the next 3 succeeding taxable years as follow:

Year Incurred	Expiry Year	Amount	Utilized	Expired	Balance
2019	2022	P385,330,341	P -	P -	P385,330,341
2018	2021	185,822,475	42,242,633	143,579,842	-

MCIT

A MCIT of 1% of the gross income as at the end of the taxable year is imposed upon any domestic corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operations.

Details of the Company's MCIT are as follows:

Year Incurred	Expiry Year	Amount	Utilized	Expired	Balance
2021	2024	P4,142,804	P -	(P947,142)	P3,195,662
2020	2023	10,243,015	-	3,977,160	14,220,175
2019	2022	6,270,441	-	-	6,270,441
		P20,656,260	P -	P3,030,018	P23,686,278

Reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense (benefit) as shown in profit or loss for the years ended December 31 is as follows:

	2021	2020
Income before tax	**P72,151,555**	**P159,277,575**
Statutory tax rate for income tax expense	**25.00%**	30.00%
Income tax expense	**P18,037,889**	P47,783,273
Additions to (reductions in) income tax benefit resulting from the tax effects of:		
Applied NOLCO	**12,438,620**	35,028,144
Nondeductible expenses	**2,809,030**	2,240,892
Changes in unrecognized deferred tax assets	**1,742,942**	(83,096,095)
Change in income tax rate	**1,617,738**	-
Expired MCIT	**947,142**	3,977,160
Effect of restatements	**-**	2,443,857
Income subject to final tax	**(11,971,855)**	(9,195,821)
	P25,621,506	(P818,590)

25. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The following are the Company's outstanding related party transactions:

a. Details of key management compensation follow:

	2021	2020
Salaries and other short-term benefits	**P70,688,986**	P67,832,220
Fringe benefits	**19,212,310**	16,181,889
Post-employment benefits	**6,279,095**	4,217,921
Social security cost	**411,605**	264,060
Total	**P96,591,996**	P88,496,090

Key management personnel include officers with positions of Vice President and up.

b. Outstanding balances with related parties as at December 31 are as follows:

		2021			
Category	***Note***	**Amount of Transaction**	**Outstanding Balance**	**Terms**	**Conditions**
Parent Company					
Assicurazioni Generali S.p.A.					
Reinsurance recoverable on paid losses	*6*	**P2,920,956,462**	**P196,017,782**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Reinsurance recoverable on unpaid losses	*9, 13*	**251,034,651**	**19,268,270**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Insurance payable	*14*	**4,533,177,749**	**221,701,929**	**Non-interest bearing; due and demandable**	**Unsecured**
Generali Asia N.V.					
Due from Generali Asia N.V.	*7*	**-**	**-**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**

		2020			
Category	*Note*	Amount of Transaction	Outstanding Balance	Terms	Conditions
Parent Company					
Assicurazioni Generali S.p.A.					
Reinsurance recoverable on paid losses	*6*	P2,300,041,755	P154,115,950	Non-interest bearing; due and demandable	Unsecured, no impairment
Reinsurance recoverable on unpaid losses	*9, 13*	168,908,499	148,685,365	Non-interest bearing; due and demandable	Unsecured, no impairment
Insurance payable	*14*	3,810,306,131	1,997,547,578	Non-interest bearing; due and demandable	Unsecured
Generali Asia N.V.					
Due from Generali Asia N.V.	*7*	-	8,100	Non-interest bearing; due and demandable	Unsecured, no impairment

26. Leases

The Company entered into various lease contracts for its office spaces and equipment used in its operations. These leases generally have lease terms between three (3) and five (5) years. As at December 31, 2021, remaining lease contracts will expire by the end of 2022. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also has certain lease contracts on office equipment that were considered as short-term leases upon transition to PFRS 16, *Leases* on January 1, 2019, and storage space with variable lease payment that do not depend on an index or a rate.

Right-of-Use Assets
The carrying amount of right-of-use assets recognized and movements during the year were presented as part of "Property and equipment" in the statement of financial position (see Note 10).

Lease Liabilities
The carrying amount of lease liabilities recognized and the movements during the year are as follows:

	2021	2020
Balance at beginning of year	**P4,858,067**	P22,215,565
Additions	**21,238,457**	-
Interest	**2,650,883**	1,325,459
Payments	**(10,134,264)**	(18,682,957)
Balance at end of year	**P18,613,143**	P4,858,067

For the years ended December 31, 2021 and 2020, amounts recognized in the statement of income for leases as under PFRS 16, *Leases*, are as follows:

	Note	**2021**	2020
Depreciation expense of right-of-use assets	*10*	**P12,373,276**	P15,625,278
Expenses relating to short-term leases and variable lease payment	*23*	**3,646,482**	4,385,967
Interest expense on lease liabilities		**2,650,883**	1,325,459
		P18,670,641	P21,336,704

Rent expense for the office spaces and parking slots in 2021 and 2020 presented as "Rental and association dues" under "General and administrative expenses" amounted to P2.18 million and P6.24 million, respectively (Note 23).

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
One (1) year	**P9,298,292**	P7,439,631
More than 1 year to 2 years	**10,456,180**	287,348

27. Capital, Insurance and Financial Risk Management Objectives and Policies

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the risk-based capital (RBC) requirement model.

RBC Requirement Model.

The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework
A substantial portion of the Company's long-term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints.

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

The operations of the Company are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. fixed capitalization requirements, margin of solvency (MOS) and RBC requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Fixed Capitalization Requirements
On August 5, 2014, the President of the Philippines approved Republic Act (R.A) No. 10607 to be known as the "New Insurance Code" (the Code) which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2015 up to December 31, 2022.

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

Minimum Net Worth	Compliance Date
P550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

Solvency Requirement
Under the revised Code, a life insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Insurance Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

As at December 31, 2020, the Company is fully compliant with the minimum statutory net worth requirements and solvency requirements. As at December 31, 2021, the final amount of the net worth can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined under the Code.

The amounts of assets below for 2021 are subject to final determination by the IC while the 2020 balances are based on the final amount reviewed by IC:

	2021	2020
Past due premiums receivable	**P238,174,521**	P137,188,622
Intangible assets	**99,275,835**	91,966,848
Deferred tax asset	**27,344,241**	27,344,241
Unsecured receivables	**22,786,961**	41,778,151
Prepayments	**18,432,437**	31,312,685
Leasehold improvements	**1,926,974**	4,904,860
Property and equipment	**1,686,755**	6,775,643
Others	**73,673,187**	43,184,007
	P483,300,911	P384,455,057

If an insurance company failed to meet the minimum required capital, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the IC.

Amended RBC (RBC2) Framework

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

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

As at December 31, 2021, the Company is compliant with the minimum RBC Ratio and has passed the Trend Test based on the requirements of the IC CL No. 2016-69. The below table shows how the RBC ratio as at the reporting date was determined by the Company:

	2021	2020
TAC	**P1,140,432,304**	P1,096,575,090
RBC requirement	**216,651,511**	179,934,103
RBC Ratio	**526%**	609%

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

Insurance Risk

Nature of Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and Controlling

The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains quota-share and surplus-type reinsurance treaties for group life business. The retention limit is P2.0 million per life. In addition, the Company may arrange facultative reinsurance for risks beyond the scope of its automatic treaties.

Frequency and Severity of Claims

The frequency and severity of claims is dependent on the type of contracts as follows:

a) For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected and;
b) For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

Financial Instruments

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31:

	2021		2020	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Cash and cash equivalents*	**P263,365,485**	**P263,365,485**	P263,356,056	P263,356,056
Insurance receivables:				
Premiums due and uncollected	**556,309,333**	**556,309,333**	439,066,173	439,066,173
Reinsurance recoverable on paid losses	**215,075,388**	**215,075,388**	163,242,719	163,242,719
Accrued income	**19,501,489**	**19,501,489**	19,157,240	19,157,240
AFS financial assets	**1,777,113,872**	**1,777,113,872**	1,726,747,511	1,726,747,511
HTM financial assets	**228,937,885**	**228,937,885**	227,325,944	227,325,944
Loans and receivables	**37,790,594**	**37,790,594**	28,053,821	28,053,821
Other assets**	**13,836,750**	**13,836,750**	16,689,768	16,689,768
Total Financial Assets	**P3,111,930,796**	**P3,111,930,796**	P2,883,639,232	P2,883,639,232
Insurance payables	**P609,902,711**	**P609,902,711**	P649,225,316	P649,225,316
Accrued expenses	**115,870,023**	**115,870,023**	123,817,427	123,817,427
Accounts payable	**34,368,645**	**34,368,645**	26,203,366	26,203,366
Trust fees payable	**1,180,323**	**1,180,323**	1,189,323	1,189,323
Total Financial Liabilities	**P761,321,702**	**P761,321,702**	P800,435,432	P800,435,432

**excludes cash on hand*

***excludes CWT, prepayments and input VAT*

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and other receivables, insurance payables and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at the end of the reporting period.

When the fair value of AFS financial assets cannot be measured reliably because of lack of available estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

The fair value of HTM financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business at the end of the reporting period. The HTM financial assets earned interest at weighted average rate of 4.51% (see Note 7).

Fair Value Hierarchy
The table below presents the Company's financial instruments carried at fair value by valuation method as at December 31, 2021 and 2020:

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Asset Measured at Fair Value				
AFS financial instruments	**P1,776,242,872**	**P800,000**	**P71,000**	**P1,777,113,872**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value				
AFS financial instruments	P1,726,176,511	P500,000	P71,000	P1,726,747,511

During the reporting period ending December 31, 2021, there were no transfers between Level 1 and level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

<u>Financial Risk</u>
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

<u>Credit Risk</u>
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- Guidelines are provided to determine when to obtain collateral and guarantees.
- The maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings are also set.

The Company also enters into reinsurance agreements. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at December 31:

	2021	2020
Cash and cash equivalents*	**P263,365,485**	P263,356,056
Short-term investment	**-**	-
Insurance receivables:		
Premiums due and uncollected	**556,309,333**	439,066,173
Reinsurance recoverable on paid losses	**215,075,388**	163,242,719
Financial assets:		
AFS financial assets	**1,777,113,872**	1,726,747,511
HTM financial assets	**228,937,885**	227,325,944
Loans and receivables	**37,790,594**	28,053,821
Accrued income	**19,501,489**	19,157,240
Other assets**	**13,836,750**	16,689,768
	P3,111,930,796	P2,883,639,232

*excludes cash on hand
**excludes CWT, prepayments and input VAT

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2021 and 2020.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's assessment of credit standing of the counterparties, historical dealings and experience with the counterparties, underlying collaterals, if any and other factors.

	December 31, 2021			
	Neither Past Due nor Impaired			
	Investment Grade	**Non-investment Grade**	**Past due or Impaired**	**Total**
Cash and cash equivalents*	**P263,365,485**	**P -**	**P -**	**P263,365,485**
Short-term investment	**-**	**-**	**-**	**-**
Insurance receivables:				
Premiums due and uncollected	**-**	**556,309,333**	**65,872,398**	**622,181,731**
Reinsurance recoverable on paid losses	**-**	**215,075,388**	**-**	**215,075,388**
Financial assets:				
AFS financial assets	**1,776,242,872**	**-**	**-**	**1,776,242,872**
Listed equity securities	**-**	**871,000**	**-**	**871,000**
HTM financial assets	**228,937,885**	**-**	**-**	**228,937,885**
Loans and receivables:				
Due from policyholders	**-**	**37,145,660**	**36,662,497**	**73,808,157**
Due from employees	**-**	**644,934**	**-**	**644,934**
Accrued income	**19,501,489**	**-**	**-**	**19,501,489**
Other assets**	**-**	**13,836,750**	**-**	**13,836,750**
Total	**P2,288,047,731**	**P823,883,065**	**P102,534,895**	**P3,214,465,691**

*excludes cash on hand
**excludes CWT, prepayments and input VAT

	December 31, 2020			
	Neither Past Due nor Impaired			
	Investment Grade	Non-investment Grade	Past due or Impaired	Total
Cash and cash equivalents*	P263,356,056	P -	P -	P263,356,056
Short-term investment	-	-	-	-
Insurance receivables:				
Premiums due and uncollected	-	439,066,173	45,500,300	484,566,473
Reinsurance recoverable on paid losses	-	157,758,881	5,483,838	163,242,719
Financial assets:				
AFS financial assets	1,726,747,511	-	-	1,726,747,511
Listed equity securities	-	571,000	-	571,000
HTM financial assets	227,325,944	-	-	227,325,944
Loans and receivables:				
Due from policyholders	-	27,007,383	33,318,903	60,326,286
Due from employees	-	1,038,337	-	1,038,337
Accrued income	19,157,239	-	-	19,157,239
Other assets**	-	16,689,768	-	16,689,768
Total	P2,236,586,749	P642,131,542	P84,303,041	P2,963,021,332

**excludes cash on hand*
***excludes CWT, prepayments and input VAT*

The Company determines the credit ratings of its counterparties based on the following criteria:

- Investment grade - Ratings given to counterparties with strong to very strong capacity to meet their obligations.

- Non-investment grade - Ratings given to counterparties with average capacity to meet their obligations.

The table below shows the analysis of age of financial assets that are past-due but not impaired.

	December 31, 2021					
	Age Analysis of Financial Assets Past-Due but Not Impaired					
	Less than 30 Days	31 to 90 Days	90 Days	Total Past Due but not Impaired	Past Due and Impaired	Total
Insurance receivables - net						
Premiums due and uncollected	P90,731,341	P243,324,124	P222,253,868	P556,309,333	P65,872,398	P622,181,731
Reinsurance recoverable on paid losses	59,453,410	142,028,286	13,593,692	215,075,388	-	215,075,388
Loans and receivables:						
Due from employees	-	-	644,934	644,934	-	644,934
Due from policyholders	-	-	37,145,660	37,145,660	36,662,497	73,808,157
Total	**P150,184,751**	**P385,352,410**	**P273,638,154**	**P809,175,315**	**P102,534,895**	**P911,710,210**

	December 31, 2020					
	Age Analysis of Financial Assets Past-Due but Not Impaired					
	Less than 30 Days	31 to 90 Days	90 Days	Total Past Due but not Impaired	Past Due and Impaired	Total
Insurance receivables - net						
Premiums due and uncollected	P94,265,229	P251,621,674	P93,179,270	P439,066,173	P45,500,300	P484,566,473
Reinsurance recoverable on paid losses	100,571,179	57,187,702	5,483,838	163,242,719	-	163,242,719
Loans and receivables:						
Due from employees	-	-	1,038,337	1,038,337	-	1,038,337
Due from policyholders	-	-	27,007,383	27,007,383	33,318,903	60,326,286
Total	P194,836,408	P308,809,376	P126,708,828	P630,354,612	P78,819,203	P709,173,815

The Company conducts a periodic review of allowance for impairment losses based on the corresponding age of past due accounts, payment behavior, credit capacity and length of relationship with the counterparty.

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

The Company manages liquidity through an assessment of the minimum amount of funds needed to meet operating and investment requirements; forecasting cash flows on both a short- and long-term basis; setting up of normal and contingency funding plans; specifying the sources of funding; maintaining counterparty exposures within approved limits; and periodic reporting and review of the credit facilities made available to the Company.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement.

The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations, or on the estimated timing of net cash outflows.

	December 31, 2021					
	Up to a Year*	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**No term**	**Total**
Cash and cash equivalents	**P -**	**P -**	**P -**	**P -**	**P263,356,056**	**P263,356,056**
Short-term investments	**-**	**-**	**-**	**-**	**-**	**-**
Insurance receivables	**782,039,817**	**-**	**-**	**-**	**-**	**782,039,817**
AFS financial assets	**234,465,653**	**594,092,222**	**663,357,595**	**284,327,402**	**871,000**	**1,777,113,872**
HTM financial assets	**-**	**-**	**164,437,892**	**64,499,993**	**-**	**228,937,885**
Loans and receivables	**74,453,091**	**-**	**-**	**-**	**-**	**74,453,091**
Accrued income	**19,501,489**	**-**	**-**	**-**	**-**	**19,501,489**
Other assets	**-**	**-**	**-**	**-**	**13,836,751**	**13,836,751**
Total Financial Assets	**P1,110,460,050**	**P594,092,222**	**P827,795,487**	**P348,827,395**	**P278,063,807**	**P3,159,238,961**
Insurance contract liabilities	**P1,616,063,816**	**P -**	**P -**	**P -**	**P -**	**P1,616,063,816**
Insurance payables	**609,902,711**	**-**	**-**	**-**	**-**	**609,902,711**
Accounts payable and accrued expenses**	**143,133,877**	**-**	**-**	**-**	**-**	**143,133,877**
Total Financial Liabilities	**P2,369,100,404**	**P -**	**P -**	**P -**	**P -**	**P2,369,100,404**

**Up to a year are all commitments which are either due within the time frame or are payable on demand*
***Excludes unallocated collections from policyholders, taxes payable, and other payables*

	December 31, 2020					
	Up to a year*	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents	P -	P -	P -	P -	P263,356,056	P263,356,056
Short-term investments	-	-	-	-	-	-
Insurance receivables	602,308,892	-	-	-	-	602,308,892
AFS financial assets	18,080,875	382,390,551	702,294,981	623,410,104	571,000	1,726,747,511
HTM financial assets		62,441,974	50,431,164	114,452,806	-	227,325,944
Loans and receivables	65,373,494	-	-	-	-	65,373,494
Accrued income	19,157,240	-	-	-	-	19,157,240
Other assets	-	-	-	-	16,703,937	16,703,937
Total Financial Assets	P704,920,501	P444,832,525	P752,726,145	P737,862,910	P280,630,993	P2,920,973,074
Insurance contract liabilities	P1,252,065,966	P -	P -	P -	P -	1,252,065,966
Insurance payables	649,225,316	-	-	-	-	649,225,316
Accounts payable and accrued expenses**	151,210,117	-	-	-	-	151,210,117
Total Financial Liabilities	P2,052,501,399	P -	P -	P -	P -	P2,052,501,399

**Up to a year are all commitments which are either due within the time frame or are payable on demand*
***Excludes unallocated collections from policyholders, taxes payable, and other payables*

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risks: foreign exchange rate (currency risk), market interest rate (fair value interest rate risk) and market price (equity price risk).

The Company manages market risks through a market risk policy that sets out the following:

- determines what is the acceptable level of market risk for the Company;
- defines the basis used to determine the fair value of financial assets and liabilities;
- asset allocation and portfolio limit structure by type of instrument and geographical area, counterparty or group of counterparties, and industry segments;
- reporting of market risk exposures and conditions that might trigger market risk deviations; and
- review of market risk policy for pertinence in relation to market changes and in the environment.

Currency Risk
The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to the US Dollar (US$) where some of its products are denominated.

The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which the insurance contracts are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange risks as at December 31:

	2021	2020
	US$	US$
Assets		
Cash and cash equivalents	**$934,707**	$ -
Peso equivalent	**P44,887,434**	P -

The exchange rates are P48.023 and P50.635 per US$1.00 for 2021 and 2020, respectively. Net unrealized foreign exchange gain recognized in the profit and loss amounted to P1.34 million and P2.87 million in 2021 and 2020, respectively.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax (due to changes in fair value of currency sensitive monetary assets).

	Increase (Decrease) in Peso per US$ Depreciation (Appreciation)	**Impact on Profit before Tax Increase (Decrease)**
2021	**+2.73%**	**P2,571**
	-0.07%	**(P0.063)**
2020	+0.77%	P2,706
	-5.19%	(P18,203)

The Company determined the reasonably possible change in foreign exchange rates using percentage changes in weighted average foreign exchange rate for the past three years. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities as at reporting date.

There is no other impact on the Company's equity other than those already affecting the profit and loss.

Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

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

	December 31, 2021					
	Interest Rates	**Within One Year**	**2 to 3 Years**	**4 to 5 Years**	**Over 5 Years**	**Total**
Cash and cash equivalents	**0.13%-5.07%**	**P263,356,056**	**P -**	**P -**	**P -**	**P263,356,056**
AFS financial assets	**4.14%%**	**234,465,653**	**594,092,221**	**663,357,595**	**285,198,403**	**1,777,113,872**
HTM financial assets	**4.51%**	**-**	**-**	**164,437,892**	**64,499,993**	**228,937,885**

	December 31, 2020					
	Interest Rates	Within One Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	0.25%-6.0%	P263,356,056	P -	P -	P -	P263,356,056
Short-term investments	-	-	-	-	-	-
AFS financial assets	5.46%	18,080,874	382,390,552	702,294,981	623,981,104	1,726,747,511
HTM financial assets	4.68%	62,398,454	-	50,446,043	114,481,448	227,325,945

28. Other Matter - Continuing Impact of COVID-19

The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic.

As at the date of the authorization for issue of the financial statements, Metro Manila have been placed under Alert Level 1 which allows all establishments, persons, or activities to operate, work, or be undertaken at full on-site or venue/seating capacity provided it is consistent with the minimum public health standards.

The Company assessed that COVID-19 did not significantly impact the Company's financial position and performance as of and for the years ended December 31, 2021 and 2020. The Company continues to monitor the situation while keeping a close look on its cash flows and expenses and ensuring compliance with both Company and government-initiated rules.

29. Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except for the amendments to standards as discussed below.

Adoption of Amendments to Standards

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

- COVID-19-Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

    - the revised consideration is substantially the same or less than the original consideration;
    - the reduction in lease payments relates to payments due on or before June 30, 2021; and
    - no other substantive changes have been made to the terms of the lease.

    Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in OCI, the gain or loss is then recognized net of the exchange component in OCI.

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

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

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

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

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

Short-term Investments
These are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year and which are not restricted as to use.

Insurance Receivables
Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition

Financial instruments are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. Financial assets are classified as in four categories: financial asset at FVPL, loans and receivables, HTM and AFS financial assets. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31,2021 and 2020, the Company does not have financial assets at FVPL.

'Day 1' Difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Financial Assets or Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVPL on initial recognition.

Financial assets or financial liabilities designated by management as at FVPL are designated as such on initial recognition when any of the following criteria are met:

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

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. Interest earned on holding AFS financial assets is reported as interest income using the effective interest method. Dividends earned on holding AFS financial assets are recognized in profit or loss under "Investment income" account when the right to receive payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Unrealized losses on AFS financial assets" in OCI. The losses arising from impairment of such investments are recognized as "Provision for impairment losses" account in profit or loss. When a security is disposed of, the cumulative gain or loss previously recognized in OCI is reported as "Gain on sale of AFS financial assets" in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

HTM Financial Assets
HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity.

These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of HTM financial assets. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate, less impairment in value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included under "Investment income" in the profit or loss. Gains and losses are recognized in profit or loss when the HTM financial assets are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments, if any, are recognized in profit or loss as "Provision for impairment losses" under "General and administrative expenses" in the profit or loss.

The effects of translation of foreign currency-denominated HTM financial assets are recognized in profit or loss.

Where the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets and will be carried at fair value.

The Company's HTM financial assets consist of government securities as at December 31, 2021 and 2020 (see Note 7).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included under "Investment income" in profit or loss. The losses arising from impairment of such loans and receivables, if any, are recognized in "Provision for impairment losses" account in profit or loss.

Loans and receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If a write-off is later recovered, the recovery is recognized in profit or loss

This accounting policy relates to the statement of financial position captions: (a) Cash and cash equivalents, (b) Short-term investments, (c) Insurance receivables, (d) Loans and receivables, (e) Accrued income and (f) Refundable lease and other deposits included under "Other assets".

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

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

This accounting policy applies primarily to the Company's "Insurance payables" and "Accounts payable and accrued expenses" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

AFS Financial Assets Carried at Fair Value

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as AFS financial assets, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from OCI and recognized in profit or loss.

Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and other income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of reversal recognized in profit or loss.

AFS Financial Assets Carried at Cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Loans and Receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Fair Values

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

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial Assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (price between the bid and ask spread), without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial Assets
A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Reinsurance</u>
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance company for unpaid losses. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums are presented on gross basis for ceded reinsurance.

Reinsurance liabilities represent balances due to reinsurance companies, which are included under "Insurance payables" in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual right is extinguished, has expired, or when the contract is transferred to another party.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss in the financial period they are incurred.

Property and equipment are depreciated and charged as expenses when the asset is available for its intended use.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follow:

	Years
Electronic data processing (EDP) equipment (laptops, desktops)	3
EDP equipment (servers, other hardware)	5
Office equipment	5
Furniture and fixtures	5

Leasehold improvements are amortized over the estimated useful life of 5 years or the term of the lease, whichever is shorter

The assets' residual values estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized.

Right-of-Use Assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Office Space	3
Equipment	5

Right-of-use assets are subject to impairment. Refer to discussion in section of impairment of non-financial assets.

Intangible Assets
Intangible assets relating to computer software licenses (not an integral part of its related hardware), are capitalized at cost. These costs are amortized over their useful life of three to five years. Costs associated with maintaining computer software programs are recognized as expense when incurred.

Systems development in progress pertains to costs pertaining to software development where no amortization is recognized until the development is completed and the asset is placed into service.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Business Combinations and Goodwill
When the Company acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

Any contingent consideration will be recognized at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate CGU that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Insurance Contracts Acquired in a Business Combination or Portfolio Transfer
In case of acquisition of insurance contracts in a business combination or portfolio transfer, the Company recognizes an intangible asset for the value of the acquired contractual relationships or VOBA.

The VOBA is the present value of the pre-tax future profit arising from the contracts in force at the purchase date, taking into account the probability of renewals of the one-year contracts. The related deferred taxes are accounted for as liabilities in the statement of financial position.

The VOBA is amortized over the effective life of the contracts acquired, by using an amortization pattern reflecting the expected future profit recognition. Assumptions used in the development of the VOBA amortization pattern are consistent with the ones applied in its initial measurement. The amortization pattern is reviewed on a yearly basis to assess its reliability and to verify the consistency with the assumptions used in the valuation of the corresponding insurance provisions.

The difference between the fair value of the insurance contracts acquired in a business combination or a portfolio transfer, and the insurance liabilities measured in accordance with the acquirer's accounting policies for the insurance contracts that it issues is recognized as intangible asset and amortized over the period in which the acquirer recognizes the corresponding profits.

The Company applies this accounting treatment to the insurance liabilities assumed in the acquisition of insurance portfolios. Therefore, the assumed insurance liabilities are recognized in the balance sheet according to the acquirer's accounting policies for the insurance contracts that it issues.

The future VOBA recoverable amount is tested on yearly basis.

Other Assets

Creditable Withholding Taxes

Creditable withholding taxes represent amounts withheld by the Company's counterparties in relation to the revenue earned. Subsequently, these amounts are applied against the Company's income tax due.

Prepayments

Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities

Life Insurance Contract Liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to the provisions of the Code and guidelines set by the IC. The movement in “legal policy reserves” at each reporting period due to changes in discount rate and other assumptions are recognized in profit or loss under “Gross change in insurance contract liabilities” and in other comprehensive income under “Remeasurement gain on Life insurance reserves".

Insurance Contracts with Fixed and Guaranteed Terms

The liability is determined by calculating unearned portion of the written premiums for the year.

Liability Adequacy Test

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

Claims Incurred but not yet Reported

This represents the amount at the end of a particular period which is an estimate of the sum of the individual claims that already occurred but on which the notice has not yet been received by the Company. This estimate takes into account any policy reserve liability set-up by the Company and any amount recoverable from reinsurers.

This account shall be measured using generally accepted actuarial principles and internationally accepted actuarial standards.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at transition date January 1, 2019 for Makati and Cebu office space lease and at the lease commencement date for equipment and Davao office space dated October 1 and October 15, 2019, respectively. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies recognition exemption to low value assets (i.e., below P0.20 million) and lease payments on short-term leases (i.e. lease term ends within 12 months). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Equity

Capital Stock

Capital stock is measured at par value for all shares issued. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Contributed Surplus

This represents the original contribution of the stockholders of the Company as provided under the Code.

Contingency Surplus

This represents contributions of the stockholders to cover any impairment in Net Worth as required under the Code.

Deposit for Future Stock Subscriptions

The Company recognizes the deposit for future stock subscription as part of the Stockholder's Equity if the following statements are present:

- The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- The BOD approved the proposed increase in the authorized capital stock (for which a deposit was received by the Company);
- The stockholders approved the said proposed increase;
- The application for the approval of the proposed increase has been filed with the SEC.

These deposits are transferred and applied to capital stock upon approval by the SEC of the proposed increase in capital stock.

Deficit

Deficit represent net accumulated losses of the Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company concluded that it is acting as principal in all of its arrangements. The following specific recognition criteria must also be met before income is recognized:

Premium Income

Gross written premiums from group life insurance contracts comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy commences.

Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using the 365^{th} method.

Long-term coverage contract liabilities are calculated pursuant to IC CL No. 2016-66, *Valuation Standards on Life Insurance Policy Reserves*, where life insurance companies are required to change the valuation basis to GPV.

The provision for legal policy reserves is composed of unearned premiums and GPV reserves.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest method.

Medical Service Fees
Medical service fee pertains to network access fee, dental access fee, retainer fee, annual physical examination, and administrative service fee. The Company recognizes these fees as income at the effectivity date of the policy. For fees paid by third parties to the Company for handling medical and health expenses of the said third parties, the Company recognizes these fees on per utilization basis. The details of the Company's medical service fee by categories are presented under Note 20.

<u>Benefits, Claims and Expenses Recognition</u>
Benefits and Claims
Life insurance benefits and claims include the cost of all claims arising during the year. Death claims are recorded on the basis of notifications received. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Commission Expense and Other Underwriting Expenses
Commissions are recognized when the insurance contracts are entered and the corresponding premiums are recognized.

General and Administrative Expenses
General and administrative expenses are recognized in profit or loss as incurred.

<u>Income Tax</u>
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute this amount are those that have been enacted or substantively enacted as at the reporting date.

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

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

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

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

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

Value-added tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item where it is applicable, and

- Receivables and payables that are stated with the amount of tax included.

The net amount of the tax recoverable from or payable to the tax authority is included as part of “Other assets” or “Accounts payable and accrued expenses” in the statement of financial position.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Company during the reporting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Pension Obligation
The Company operates a non-contributory defined benefit pension plan and a non-contributory defined contribution pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit (PUC) valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Company recognizes related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Provisions

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

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at end of the reporting period (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but Not Yet Adopted

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

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

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

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

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

Effective Beginning on or after January 1, 2025

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  The standard is effective for annual periods beginning on or after January 1, 2023. Early application is permitted, provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17. On May 18, 2020, the IC issued CL 2020-62 which defers the implementation of PFRS 17 in the Philippines to January 1, 2023 or for an additional two (2) years from the date of global adoption.

  The Company started a project to implement PFRS 17 and has been performing a high-level impact assessment of PFRS 17. The Company expects that the new standard will result in significant changes to accounting policies for insurance contract liabilities and is likely to have a significant impact on profit and total equity together with presentation and disclosure. Following the global ultimate parent company, the Company plans to early adopt PFRS 17 in January 1, 2023.

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

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

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

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

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

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

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

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

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Deferred Effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

30. Restatement of Balances

In 2021, the Company determined that a restatement of the 2020 financial statements is necessary particularly to correct the identified errors on the amount of CWTs and the assessment of the realizability of CWTs. The said errors resulted to the understatement of "Creditable withholding taxes" under "Other assets - net" account by P9.09 million and P0.95 million as at December 31, 2020 and January 1, 2020, respectively; the overstatement of the "Allowance for impairment losses" under "Other assets - net" account by P14.25 million both as at December 31, 2020 and January 1, 2020, respectively; the understatement of "Other expenses" under "General and administrative expenses" account by P8.15 million in 2020; and the overstatement of deficit by P23.38 million and P15.20 million as at December 31, 2020 and January 1, 2020, respectively.

Summary of Quantitative Impact

December 31, 2020	*Note*	As Previously Reported	Effect of Restatements	As Restated
Statement of Financial Position				
Asset				
Other assets - net	*12*	P76,855,075	P23,347,571	P100,202,646
Creditable withholding taxes		P41,975,055	P9,093,339	P51,068,394
Allowance for impairment losses		(14,254,232)	14,254,232	-
Equity				
Deficit		(P1,336,117,129)	P23,347,571	(P1,312,769,558)

December 31, 2020	*Note*	As Previously Stated	Effect of Restatements	As Restated
Statement of Comprehensive Income				
General and Administrative Expenses	*23*	P494,355,531	(P8,146,188)	P486,209,343
Other expenses		32,367,197	(8,146,188)	24,221,009
Net income		151,949,977	8,146,188	160,096,165
Total comprehensive income		196,093,318	8,146,188	204,239,506

January 1, 2020		As Previously Stated	Effect of Restatements	As Restated
Statement of Financial Position				
Asset				
Other assets - net		P69,599,583	P15,201,383	P84,800,966
Creditable withholding taxes		P36,066,429	P947,151	P37,013,580
Allowance for impairment losses		(14,254,232)	14,254,232	-
Equity				
Deficit		(P1,488,067,106)	P15,201,383	(P1,472,865,723)

The above adjustments did not have a significant impact to the Company's income tax and statements of cash flows which included adjustments only to line items within operating activities as follows:

December 31, 2020	*Note*	As Previously Stated	Effect of Restatements	As Restated
Statement of Cash Flows				
Cash Flows from Operating Activities	*23*	P395,771,969	P -	P395,771,969
Income before income tax		151,131,387	(8,146,188)	159,277,575
Other assets		(7,255,491)	947,151	(6,308,340)
Income tax paid		(28,632,430)	(9,093,339)	(37,725,769)

31. Supplementary Information Required Under RR No. 15-2010 by the BIR

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

The following are the tax information required for the taxable period ended December 31, 2021:

A. Value Added Tax (VAT)

	Amount
1. Output VAT	**P1,638,470**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P13,653,914**
Zero-rated sales	**-**
Total vatable sale	**P13,653,914**
2. Input VAT	
Beginning of the year	**P1,117,629**
Current year's domestic purchases of capital goods not subject to amortization	**-**
Capital goods subject to amortization deferred for the succeeding period	**-**
Others:	
a. Domestic purchases of goods	**839,952**
b. Domestic purchases of services	**(186,487)**
Application of Output VAT	**(1,638,470)**
Balance at the end of year	**P132,624**

B. Withholding Taxes

	Amount
Expanded withholding tax	**P61,779,020**
Tax on compensation and benefits	**29,103,398**
Final withholding tax	**356,276**
	P91,238,694

C. All Other Taxes (Local and National)

Local	
Mayor's Permit	**P3,297,252**
Others	**2,010,500**
National	
Premium tax	**48,366,428**
Documentary stamp tax	**256,990**
BIR annual registration	**500**
Total	**P53,931,670**

Other taxes, local and national, paid during the year are lodged under the "Taxes and licenses" accounts under "General and administrative expenses".

D. Tax Cases and Assessments

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as at December 31, 2021.