1 Corporate Information

Philippines International Life Insurance Company, Inc. (the Company) is a stock corporation incorporated and organized under the laws of the Philippines and registered with the Securities and Exchange Commission on July 06, 1956 with SEC Registration No. 011392. The company commenced its business on September 12, 1952. The Company's Articles of Incorporation was amended in July 21, 2006 amending its corporate term of existence to be extended for another 50 years from July 06, 2006.

The primary purpose of the corporation is to carry on the business of life insurance in all its branches and in particular to grant or effect assurances of all kinds, for the payment of money by way of single payment or by way of several payments, or by way of immediate or deferred annuities upon death or upon attaining a given age by any person or persons subject or not such death or attainment of a given age happening in the life time of any other person or persons or upon the birth or failure of issues or subject to or upon happening of any contingency or event dependent upon human life or upon a fixed or certain date irrespective of any such event or contingency; To grant annuities, immediate or deferred, payable between any fixed dates or contingent as to their commencement or determination upon any event dependent upon human life or the birth or failure of issue or otherwise; To carry on the business of insurance against personal injuries by accident either in connection with life policies or otherwise and the business of insurance against the loss of health or incapacity from physical causes of any description, either alone or in combination with life insurance; To create or set aside out of capital or revenue of the corporation a special fund or special funds and to give to any class of its policy holders, annuitant or creditors any preferential right over the fund or funds so created, and for such or any other purposes of the corporation to place any portion of the corporate property in the name or names or within the control of one or more trustees or to give to any class of insurers a right to participation in the profits of the corporation or of such branch of its business; To re-insure all or any of the risks of the corporation and to undertake any authorized risks by way of re-insurance.

The company's registered office address is 3/F Tanco Bldg., #55 Timog Avenue Corner Tomas Morato Avenue, Quezon City, Philippines.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with the recognition, measurement and disclosure principles that are consistent with Philippine Financial Reporting Standards (PFRS). This is the first financial statements prepared in accordance with PFRS. The transition to full PFRS does not results to adjustments except for the effect of PFRS 9 as discussed in the succeeding paragraphs.

The accompanying financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value through profit or loss, at fair value through other comprehensive income (FVTOCI), and amortized cost.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in "Philippine Peso" (₱), which is the company's functional and presentation currency. All values are in absolute amounts unless otherwise indicated.

Adoption of new and revised Standards

New and amended PFRS Standards that are effective for the current year

Impact of initial application of PFRS 16 Leases

In the current year, the company has applied PFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of PFRS 16 on the company's financial statements is described below.

The date of initial application of PFRS 16 for the company is 1 January 2019.

The Company has applied PFRS 16 using the full retrospective approach, with restatement of the comparative information, as applicable.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to PFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with PAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. PFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in PAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in PFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of PFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in PFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

- Former operating leases PFRS 16 changes how the company accounts for leases previously classified as operating leases under PAS 17, which were off balance sheet.

Applying PFRS 16, for all leases (except as noted below), the company:

a. Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b. Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under PFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by PFRS 16. This expense is presented within 'other expenses' in profit or loss. (ii) Former finance leases The main differences between PFRS 16 and PAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. PFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by PAS 17. This change did not have a material effect on the Company's consolidated financial statements. (c) Impact on Lessor Accounting PFRS 16 does not change substantially how a lessor accounts for leases. Under PFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, PFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under PFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under PAS 17). Because of this change, the Company has reclassified certain of its sub-lease agreements as finance leases. As required by PFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

The adoption of PAS 17 do not have material effect on company's financial statements since the company do not hold a lease asset in a lessee capacity.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of accounting

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

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

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- criteria as measured at FVTPL if doing so eliminates or significantly reduces an the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI accounting mismatch (see (iv) below).

Amortized cost and effective interest method

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

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

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance. Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in profit or loss and is included in the "finance income – interest income" line item.

(i) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (is) above) are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of PFRS 9.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has designated its debt instruments as at FVTPL due to the current nature of the investment of 12 months.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and
- its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

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

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 11) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of the Company's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible using expected credit losses approach.

A provision for impairment of trade receivable is stabled when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Property and equipment

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

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures after the fixed assets have been put into operation such as repairs and costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

The construction in progress account, if any, will be stated at cost.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using the straight-line method over the estimated useful lives of the assets as follows:

▪ Leasehold Improvements	10 years
▪ Office Equipment	10 years
▪ Furniture and Fixtures	10 years
▪ Transportation Equipment	5 years
▪ Computer Equipment	5 years
▪ Medical Equipment	3 years

The assets' residual values, useful lives and depreciation method are reviewed periodically and adjusted prospectively if appropriate if there is an indication of a significant change since the last reporting date. This review ensures that the method and the period of depreciation are consistent with the expected pattern of the economic benefits from the items of property and equipment.

Fixed asset under finance lease agreements will be depreciated over their expected useful lives or terms of the lease, whichever is shorter.

Investment Properties

Properties held to earn rentals or for capital appreciation or both. These properties generate cash flows largely independently of the other assets held by the company.

Some properties comprise a portion that is held for capital appreciation and another portion for use in the supply of goods and services. If these portions could be sold separately, the entity accounts for the portions separately, if not, the property is investment property if and only if an insignificant portion is held for the supply of goods and services or for administrative purposes.

Investment properties are measured initially at cost including transaction cost and subsequently at fair value. investment properties are stated at fair value, which reflects market condition at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period they arise including the corresponding tax effect. Fair values are determined based on annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed or permanently withdrawn from use and no expected future economic benefit from their disposal.

Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowings

Borrowings are recognized initially at the transaction price, the present value of cash payable to the bank, including transaction costs. Borrowings are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Provisions and contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be reasonably estimated even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from the past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation.

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

Retirement benefits

The company do not have a formal retirement plan for its qualified employees. Though no retirement plan has been established, the company will provide the required benefits in the case maybe in accordance with the provisions under Republic Act No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit minimum guarantees as summarized below:

In the absence of a retirement plan or any similar agreement, employees may retire and be qualified for the benefits under R.A. 7641 if they have reached the age of at least 60 but not beyond 65 and had served in their respective companies for at least 5 years. In these cases, it is the employees' right to demand to be retired and be given the benefits prescribed by R.A. 7641. The law also set the compulsory retirement age at 65, which means that companies have the right to retire the employees if they reach this age.

The minimum benefit prescribed by R.A. 7641 was defined as "one-half month salary per year of service, a fraction of at least six months being considered as one year. The term 'one- half month salary' shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves." In the Rules Implementing this law, the Department of Labor and Employment (DOLE) specified that the term "one- half month salary" should include all of the following:

- 15 days salary based on the latest salary rate; plus
- cash equivalent of 5 days service incentive leave; plus
- 1/12 of the thirteenth month pay; and
- all other benefits that the employer and employee may agree upon to be included.

Policy Loans

Policy loans are carried at their unpaid balance and are fully secured by the policy values on which the loans are made.

Policyholders' Benefits

Policy maturities, claims and losses, surrenders and anticipated endowments and other policyholders' benefits are recognized in the accounts in the year the benefits are provided to policyholders, including a provision for incurred but not reported benefits to the Company.

Policyholders' premium deposits

The deposits made by the insured to obtain perpetual insurance against the risk of loss.

Insurance contract liabilities

Life insurance liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve 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 in each life operation.

Contingency surplus

The amount of money insurers set aside above the legal requirements to cover unexpected or unforeseen losses. It may be used to pay out claims or other underwriting expenses in the event that the money brought in from premiums and the loss reserves are not enough to cover costs

Leases

Leases are classified as finance lease when there is a transfer of substantially all risks and benefits incidental to the ownership of the leased item, and are recognized as assets and liabilities in the balance sheets at amounts equal, at the inception of the lease, to the fair value of the lease property or the present value of the minimum lease payments, whichever is lower.

If the lease is classified as operating lease, lease payments are recognized in the income statement as expense using straight line method over the lease term.

Equity

An ordinary share of stock is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Additional paid-in-capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in-capital, net of any related income tax benefits.

Reserve for fluctuation in market value of asset. When fluctuation in value is permanent, any gain or loss resulting from such fluctuation will be recognized in the income statements in the year that the permanent fluctuation is determined.

Retained Earnings. Includes all current and prior period results as disclosed in the income statements for each accounting period.

Earnings per Share. Basic earnings per share is determined by dividing net income for the year by the weighted average number of common shares outstanding, after retroactive adjustments for any stock dividends declared.

Revenues recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the company's activities. Revenue is shown net of vat, returns, rebates and discounts.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. The following are the source of revenue of the company:

- Premium is recognized when the amount of payment for the contract of insurance can be measured reliably.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time-proportion basis on the principal outstanding and at the rate applicable.
- Dividend income is recognized when the shareholders' right to receive the payment is established.
- Rental Income from investment properties is recognized when the lessee enters into a contract of lease with the Company.
- Other income is recognized when earned regardless of when received.

Costs and expense recognition

Costs and expenses are recognized when incurred regardless when paid. Finance costs are reported on accrual basis.

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. The capitalization of borrowing costs commences when the expenditures for the asset are being incurred, and the activities necessary to prepare the asset for its intended use or sale are in progress.

Current and deferred income taxes

Under the Republic Act No. 9337 ("RA 9337"), certain sections of the National Internal Revenue Code of 1997 were amended and signed into law on May 24, 2005 and become effective beginning November 1, 2005. One of the major changes brought about by RA 9337 that is relevant to the Company is the Income Tax Rate is increased from 32% to 35% starting November 1, 2005 until December 31, 2008 and will reduced to 30% beginning January 1, 2009.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

comparative data due to the nature of the properties. In addition, independent valuation has been used to assed the fair values. Property and equipment revaluation change shall be recognized in other comprehensive income.

3.1.4 Provision for expected losses of receivables

The company adopted the use of expected credit losses (ECL) for its receivables. The provision is based on days past due for various customers and debtors that have similar patterns. When measuring ECL the company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

3.2 Judgements in applying the entity's accounting policies

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

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

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

3.2.1 Distinction between Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the preparation or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately or leased out separately under finance lease, the Company accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

3.2.2 Estimating useful lives of property and equipment

The useful lives of property and equipment and investment properties are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. The carrying amount of property, plant and equipment are analyzed in Note 10.

Based on management's assessment as of December 31, 2019, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Related Party Transactions and Relationships

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among the reposting enterprise and its key management personnel, directors or its stockholders. Transactions between related parties are accounted for at arms-length prices or terms similar to those offered to non-related entities in an economically comparable market.

2.1 Subsequent Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the balance sheet date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's financial position at the balance sheet date are reflected in the financial statements.

Events that are not adjusting events are disclosed in the notes to the financial statements when material.

3 Information on key sources of uncertainty estimation and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future.

3.1 Key sources of uncertainty estimation

The company make estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

3.1.1 Claims liabilities arising from insurance contracts

The estimation of the ultimate liability arising from claims made under life insurance contracts is most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the company will ultimately pay for its claims.

The liability for the life insurance contracts is based on assumptions established at the inception of the contract. At each reporting date, these estimates are reassessed for the adequacy and changes are reflected in the liability. The main assumptions used relate to mortality, morbidity, investment returns and discount rates.

In accordance with the provision of the Insurance Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract.

3.1.2 Income taxes

The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3.1.3 Revaluation of property and equipment, and investment properties

The company carries its investment properties at fair value, with changes recognized in profit or loss. For investment property, a valuation methodology based on a discounted cash flow model was used, as there is a lack of

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

		2019		2018
Petty Cash Fund	₱	5,000	₱	5,000
Commission Fund		10,000		10,000
Revolving Fund		280,000		280,000
Cash in Banks		14,029,532		2,460,693
Time Deposits		24,000,000		44,000,000
Total	₱	**38,324,532**	₱	**46,755,693**

Cash in banks generally earns interest at respective bank rates.

5 POLICY LOANS

Policy loans are carried at unpaid balance and are fully secured by policy values on which loans are made. This account amounts to ₱28,729,132 and ₱33,036,678 as of December 31, 2019 and 2018, respectively.

6 DUE FROM AGENTS

Due from agents are deemed collectible within one year and is subject to liquidation. This account amounts to ₱2,471,872 and ₱2,476,167 as of December 31, 2019 and 2018, respectively.

7 DUE FROM LIFE INSURANCE POOLS

This account consists of the following:

		2019		2018
HDMF-YRT	₱	1,882,421	₱	1,880,635
Pag-ibig MRI		2,587,566		-
SSS-GMRI		703,131		667,739
Due from Reinsurer		298,124		181,953
Total	₱	**5,471,243**	₱	**2,730,327**

8 OTHER RECEIVABLES - CURRENT

This account consists of the following:

		2019		2018
Accrued Receivable - Time Deposit	₱			₱100,333
Accrued Interest - Bonds		1,204,622		1,072,542
Dividend Receivable		43,441,195		-
Total	₱	**44,645,817**	₱	**1,172,875**

9 INVESTMENTS

The account consists of the following:

		2019		2018
Held-to-maturity investments	₱	149,955,000	₱	137,364,312
Investment properties		233,409,575		174,494,048
Available-for-sale		627,022,396		629,222,798
Others		34,906,366		38,700,686
Total	₱	**1,045,293,337**	₱	**979,781,844**

Held-to-maturity investments represent investments in bonds on various financial institutions and private companies with terms of 5 to 30 years at respective interest rates, net of amortization of discount and premiums.

Available-for-sale investments is summarized as follows:

		2019		2018
Balance at January 1	₱	629,222,798	₱	662,464,792
Acquisitions		150,553,326		139,807,871
Disposals		(130,640,430)		(13,364,150)
Fair market value adjustments		(22,113,299)		(159,685,714)
Total	₱	**627,022,395**	₱	**629,222,798**

Deferred tax liability recognized for the fair value adjustments of investments is summarized as follows:

		2019		2018
Balances at January 1	₱	59,013,076	₱	106,918,791
Additions during the year		-		(47,905,714)
Reversals during the year		(59,013,076)		-
Total	₱	-	₱	**59,013,076**

Investment property includes real properties owned by the company held for capital appreciation and as source of rental income. The investment properties were valued on regular intervals on an open market basis by qualified valuers (level 2 input). During the year, ₱1,976,709 was recognized in the statement of income in relation to rental income from the investment properties and ₱1,588,042 from 2018. There are no direct operating expenses arising from investment properties. At 31 December 2019 and 2018, there were no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal, if any. The changes during the year were as follows:

		2019		2018
Balances at January 1	₱	174,494,048	₱	175,132,121
Fair value adjustment during the year		24,965,000		-
Aquisition during the year		33,950,528		-
Disposals during the year		-		(638,073)
Total	₱	**233,409,575**	₱	**174,494,048**

	Office Equipment	Furniture & Fixtures	Transportation Equipment	Medical Equipment	Computer Equipment	Leasehold Improvement	Total
Costs:							
Balance, Jan. 1, 2018	₱ 701,089	₱ 254,796	₱11,158,393	₱ 26,103	₱1,830,165	₱ 990,210	₱14,960,756
Acquisitions during the year	286,143	94,840	-	-	511,846	492,843	1,385,671
Disposals during the year	-	-	3,645,500	-	-	-	3,645,500
Balance, Dec. 31, 2018	987,231	349,636	7,512,893	26,103	2,342,011	1,483,053	12,700,927
Accumulated Depreciation:							
Balance, Jan. 1, 2018	₱ 352,140	₱ 155,294	₱ 7,416,274	₱ 26,103	₱1,510,504	₱ 990,210	10,450,525
Depreciation for the year	105,172	22,490	91,420	-	154,554	22,237	395,873
Disposals during the year	-	-	3,645,497	-	-	-	3,645,497
Prior Period Adjustments	-	-	-	-	-	-	-
Balance, Dec. 31, 2018	457,312	177,785	3,862,197	26,103	1,665,057	1,012,447	7,200,901
Balance, Jan. 1, 2018	**₱ 348,949**	**₱ 171,852**	**₱ 3,650,696**	**₱ -**	**₱ 676,953**	**₱ 470,605**	**₱ 4,510,231**
Balance, Dec. 31, 2018	**₱ 529,920**	**₱ 171,852**	**₱ 3,650,696**	**₱ -**	**₱ 676,953**	**₱ 470,605**	**₱ 5,500,026**

11 OTHER RECEIVABLES - NONCURRENT

The receivable is broken down as follows:

	2019	2018
Loans Receivable	₱ 23,636,931	₱ 29,481,447
Other Loans	343,274	23,554
Net Due and Uncollected Premiums	-	92,863
Total	**₱ 23,980,205**	**₱ 29,597,864**

Loans receivable represents interest-bearing loans to its policyholders and is presented net of any accounts written-off amounting to ₱4,820,466 and ₱7,999,093 for the year ended 2019 and 2018, respectively. The fair values of other receivables are not materially different to their carrying values.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

12 OTHER ASSETS

This account includes:

	2019	2018
Prepaid Tax	₱ 3,140,871	₱ 3,318,427
Security Fund	34,621	34,621
Miscellaneous Deposit	270,000	105,000
Deferred Charges	467,804	803,798
Rental Deposit	151,621	-
Total	**₱ 4,064,917**	**₱ 4,261,845**

Other reserves are summarized as follows:

		Reserve for fluctuation on AFS financial assets		Remeasurement on Legal Policy Reserves		Contributed Capital
Balance at January 1	₱	137,697,178	₱	16,029,787	₱	2,500,000
Realized gain/loss on reserves		38,012,287		(16,029,787)		-
Reversal of deferred tax liability		59,013,076		-		-
Fair value adjustment during the year		(22,113,299)		-		-
Decrease in legal policy reserves		-		(11,122,849)		-
Balance at December 31	**₱**	**212,609,242**	**₱**	**(11,122,849)**	**₱**	**2,500,000**

The Management opted to present the fair value changes in available-for-sale financial assets.

10 PROPERTY AND EQUIPMENT

A brief illustration of the analysis of this account is shown below:

	Office Equipment	Furniture & Fixtures	Transportation Equipment	Medical Equipment	Computer Equipment	Leasehold Improvement	Total
Costs:							
Balance, Jan. 1, 2019	₱ 987,231	₱ 349,636	₱ 7,512,893	₱ 26,103	₱ 2,342,011	₱ 1,483,053	12,700,927
Acquisitions during the year	157,325	-	1,364,000	-	193,230	-	1,714,555
Disposals during the year	-	-	-	-	-	-	-
Balance, Dec. 31, 2019	1,144,556	349,636	8,876,893	26,103	2,535,241	1,483,053	14,415,482
Accumulated Depreciation:							
Balance, Jan. 1, 2019	₱ 457,312	₱ 177,785	₱ 3,862,197	₱ 26,103	₱ 1,665,057	₱ 1,012,447	7,200,901
Depreciation for the year	89,251	24,949	1,870,084	-	211,502	49,284	2,245,070
Disposals during the year	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-	-
Balance, Dec. 31, 2019	546,562	202,734	5,732,281	26,103	1,876,559	1,061,732	9,445,971
Balance, Jan. 1, 2019	**₱ 529,920**	**₱ 146,902**	**₱ 3,144,612**	**₱ -**	**₱ 658,681**	**₱ 421,321**	**₱ 5,500,026**
Balance, Dec. 31, 2019	**₱ 597,994**	**₱ 146,902**	**₱ 3,144,612**	**₱ -**	**₱ 658,681**	**₱ 421,321**	**₱ 4,969,510**

13 UNPAID POLICY CLAIMS

The account represents death and matured claims amounting to ₱10,148,747 and ₱8,033,226 as of December 31, 2019 and 2018, respectively.

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

The account consists of the following:

		2019		2018
Accounts Payable	₱	1,393,039	₱	6,040,521
Rental Deposit		-		266,961
Due to reinsurers		51,498		8,814
Withholding Tax Payable		361,965		133,980
Premium Tax Payable		128,049		47,306
SSS Loan Payable		19,127		12,967
SSS Deposit		20,740		17,585
PHIC Deposit		7,942		8,044
Applicants Deposit		151,461		24,000
Total	₱	**2,133,822**	₱	**6,587,842**

Book values approximate to fair value at 31 December 2019 and 2018.

15 LEGAL POLICY AND REINSURANCE RESERVES

The account consists of the following:

		2019		2018
Gross Reserves:				
Legal Reserve – Life	₱	61,391,267	₱	69,559,748
Reserve for Pag-ibig - MRI		5,322,214		5,125,707
Reserve for HDMF - YRT		69,754		-
Reserve for SSS - GMRI		314,657		309,342
Reserve for Group Term		493,194		234,618
Total Gross Reserves		**67,591,087**		**75,229,415**
Less: Reinsurance Reserves		-		-
Net Deferred Premiums		-		-
Net Reserves	₱	**67,591,087**	₱	**75,229,415**

The above said account represents actuarial valuation on net premium/reserves which is secured as reserve liability for which it shall be secured in equivalent investment in payment for future benefits and other debts.

Decrease in legal reserves for the year is summarized as follows:

		2019		2018
Reported in OCI	₱	(11,122,849)	₱	10,437,848
Reported in Profit or Loss		19,032,753		11,386,288
Total	₱	**7,909,904**	₱	**21,824,136**

16 SHARE CAPITAL

The account composed of:

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Authorized	250,000	₱250,000,000	250,000	₱250,000,000
Issued & Oustanding	250,000	₱250,000,000	250,000	₱250,000,000

The company's share capital consists of purely common shares at ₱1,000.00 par value per share.

17 REVENUES

The net premium shows below:

		2019		2018
Gross Premium	₱	21,418,546	₱	13,022,623
Add(Deduct): Increase (Decrease) in				
Net Due and Uncollected Premium		-		(92,863)
Reinsurance Premium		(234,476)		(111,910)
Net Premium	₱	**21,184,071**	₱	**12,910,713**

The other income consists of the following:

		2019		2018
Dividend Income	₱	85,075,383	₱	37,785,056
Gain on Sale of Stocks		3,195,650		1,177,886
Gain on Sale of Real Estate		-		27,691,699
Gain/Loss Disposal Of Fixed Asset		10,000		89,997
Interest Income		10,090,839		9,611,404
Interest income- others		3,443,935		3,360,332
Rental Income		1,976,709		1,588,042
Miscellaneous Income		1,216,748		167,314
Fair value adjustment- investment property		24,965,000		-
Other income		-		80,297
Total	₱	**129,974,264**	₱	**81,552,026**

18 COSTS AND EXPENSES

The summary of costs and expenses for the period ended are shown below:

Direct Underwriting Expenses		2019		2018
Policy Claims Paid	₱	569,143	₱	617,568
Matured Endowment		6,251,611		3,872,055
Surrender Value		6,682,068		6,423,110
Depreciation		2,245,070		395,873
SSS, Medicare, and HDMF Contributions		629,141		541,825
Anticipated Value		34,471		136,628
Commission		7,634,019		5,716,223
Production Expense		757,041		845,154
Insurance expense		282,179		313,310
Total	₱	**25,084,743**	₱	**18,861,747**

Operating Expenses		2019		2018
Salaries & Wages and Other Benefits	₱	8,556,314	₱	8,418,116
Provision for doubtful accounts		4,820,466		7,999,093
Directors' Fee		5,430,948		5,352,948
Representation		3,800,938		3,186,975
Rental		2,886,017		2,745,813
Employee Benefits		2,736,541		2,694,116
Transportation and Travel		2,111,963		2,590,012
Trainings and Seminars		953,934		1,133,070
Professional Fee		1,014,728		1,073,134
Light and Water		1,130,636		1,033,376
Taxes and Licenses *(note 19)*		5,950,798		817,041
Postage, Telephone and Telegraph		800,488		689,219
Repairs and Maintenance		343,718		465,608
Corporate Secretary's Fee		342,105		342,105
Collection and Service Fee		449,960		320,966
Security Services		354,521		308,984
Bank Charges		302,493		306,372
Membership Fee		336,002		260,512
Office Supplies		212,405		233,431
Premium Tax		428,371		260,452
Advertising Expenses		112,346		139,347
Subscriptions, Books and Periodicals		13,186		19,872
Gifts and Donations		575,400		17,500
Registration Fee		14,610		15,876
Policy Benefit		-		7,825
Miscellaneous		242,497		8,392
Total	₱	**43,921,385**	₱	**40,440,157**

The company is covered under Republic Act No. 7641, The Philippine Retirement Law, which provides for its qualified employees a defined benefit minimum guarantee. The minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

The revised standards on employee benefits, PAS 19R, applicable for financial report beginning on or after January 1, 2013 has required the company to fully comply with the new provisions. The standard requires an entity to recognize:

- liability when an employee has provided service in exchange for employee benefits in the future; and
- an expense when the entity consumes the economic benefit arising from service provided by an employee under an employee benefit plan.

As of December 31, 2019, and 2018, the company has not recognized any provision for employee retirement benefits and the corresponding accrual of retirement obligation, except for the retirement benefits paid in compliance with RA 7641.

The company's key management personnel compensation for 2019 and 2018 amounted to ₱2,922,350 and ₱3,836,360, respectively, representing salaries and other short-term benefits.

19 TAXES

The computation of tax expense attributable to continuing operation is illustrated below:

		2019		2018
Current		-		2,360,806
Deferred		435,589		353,366
Final		2,252,651		2,138,215
Total	**₱**	**2,688,240**	**₱**	**4,852,387**

		2019		2018
Income Before Provision for Income Tax	₱	101,184,959	₱	46,547,124
Add (Less): Reconciling Items				
Nondeductible Expenses:				
Representation		3,589,098		3,057,868
Gifts and Donations		575,400		17,500
Provision For Doubtful Accounts		4,820,466		7,999,093
Income Subject to Final Tax:				
Interest Income		(10,090,839)		(9,611,404)
Dividend Income		(85,075,383)		(37,785,056)
Fair value adjustment- investment propert		(24,965,000)		-
Gain on Sale of Stocks		(3,195,650)		(1,177,886)
Income Subject to Income Tax		(13,156,950)		9,047,239
Rate		30%		30%
Provision for Income Tax (current/deferred)	**₱**	**(3,947,085)**	**₱**	**2,714,172**

Premiums	₱	21,184,071	₱	12,910,713
Interest Income Not Subject to Final Tax		3,443,935		3,360,332
Gain on sale of real estate		-		27,691,699
Rental income		1,976,709		1,588,042
Other Income		1,226,748		337,608
Decrease in Legal Policy Reserves		19,032,753		11,386,288
Underwriting Deduction		(25,084,743)		(18,861,747)
Gross Income Subject to MCIT		21,779,472		38,412,935
Rate		2%		2%
Minimum Corporate Income Tax	₱	**435,589**	₱	**768,259**
Income Tax Due (whichever is higher)	₱	435,589	₱	2,714,172
Less: Tax Payments/Credits				
Prior Years' Excess Tax Credit	₱	3,318,427		2,022,733
Quarterly Income Tax Payments		258,034		188,324
Creditable Taxes Withheld		-		3,821,541
Income Tax Payable (Overpayment)	₱	**(3,140,871)**	₱	**(3,318,427)**

The amount of excess MCIT over normal tax and unrecognized deferred tax from NOLCO that can be used as future deduction from taxable income or tax credit against income tax due are summarized below.

Inception year	Normal tax	MCIT	Excess MCIT
2017	-	467,804	467,804

Inception year	NOLCO	Tax effect
2017	19,401,356	5,820,407

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company assesses the unrecognized deferred tax assets and will recognize previously unrecognized deferred tax assets to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The NOLCO and MCIT are available for offset against future taxable income and income tax payable, respectively.

In compliance with the requirements set forth by RR 15-2010 hereunder is the information on taxes, duties and licenses fees paid or accrued during the taxable year.

		2019		2018
Local business tax	₱	163,163	₱	125,349
Community certificate		17,047		10,500
Mayor's permit fee		16,345		7,000
Fire permit fee		4,014		7,759
Electircal inspection fee		390		390
Sanitation fee		3,374		2,174
Other fees and licenses		289,350		481,913
Other taxes		29,370		18,487
Real property tax		2,088,528		131,088
Transfer taxes		3,290,506		-
Documentary stamp tax		48,710		32,380
	₱	5,950,798	₱	817,041

20 PRIOR PERIOD ADJUSTMENTS

The prior period adjustments adjusted to the retained earnings for December 31, 2019 and 2018 were as follows:

		2019
Expired portion of deferred tax-mcit	₱	(335,993)
Settlement of deficiency tax		(500,395)
Other comprehensive income		177,605
Total	₱	(658,784)

		2018
Share in remeasurement on Legal Policy Reserves	₱	(5,591,939)
Other comprehensive income		37,714,822
Deferred tax liability		31,661,997
Total	₱	63,784,880

21 Financial instruments - Risk management

The Company is exposed through its operations to the following financial risks:

1. Credit risk
2. Fair value or cash flow interest rate risk
3. Other market price risk
4. Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's' objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1. Loans and receivables
2. Cash and cash equivalents
3. Investments in quoted and unquoted equity securities
4. Trade and other liabilities
5. Claims payable
6. Due to reinsurers

A summary of the financial instruments held by category is provided below:

a) Financial Assets

	Held to maturity (in ₱'000)		Loans and receivable (in ₱'000)		Available for sale (in ₱'000)	
	2019	2018	2019	2018	2019	2018
Cash and cash equivalents	-	-	38,325	46,756	-	-
Receivables	-	-	105,298	69,014	-	-
Investment in bonds and treasury notes	149,955	137,364	-	-	-	-
Equity investment	-	-	-	-	627,022	629,223
Total	149,955	137,364	143,623	115,770	627,022	629,223

b) Financial Liabilities

	Financial liabilities at amortised costs (in ₱'000)	
	2019	2018
Accounts payable & accrued expenses	2,134	6,588
Claims payable - net	10,149	8,033
Reserve for unearned premiums	67,591	75,229
Total	79,874	89,850

The fair value of the unlisted securities is based on expected cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted. Interest rate has no material fluctuations during 2019 and 2018.

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and report their findings to the Board of Directors.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Generally, the maximum credit exposure of the company is the carrying amount of the financial assets as summarized as follows:

	Notes	2019	2018
Cash and cash equivalents	4	38,324,532	46,755,693
Receivables	5, 6, 7, 8, 11	105,298,269	69,013,911
Investment in bonds and treasury notes	9	149,955,000	137,364,312
Equity investment	9	627,022,396	629,222,798
Total		920,600,197	882,356,714

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy to assess the credit risk of new customers before entering contracts. Such credit ratings are considered by local business practices.

The Company's management consider that all the above financial assets that are not impaired or past due for each reporting periods are of good credit quality.

Market risk

Market risk arises from the Company's use of interest bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The Company's interest rate risk is associated with interest-bearing receivables and cash and cash equivalents, and interest-bearing borrowings, on the other. If the interest is variable, it presents the Company with a cash flow interest rate risk. If the interest rate is fixed, there is a fair value interest rate risk. The Company mitigates the cash flow interest rate risk to the extent possible through the use of interest rate swaps, under which interest liabilities based on a variable rate are converted into fixed rates. The Company does not use interest rate swaps under which fixed-rate interest liabilities are converted into variable rates in order to hedge the fair value interest rate risk.

The analysis of the cash flow interest rate risk takes into account cash and cash equivalents, the debt position and the usual fluctuations in the Company's working capital requirements. In addition, alternatives are being studied and hedges are being considered. Under Company policy, cash flow interest rate risks with regard to long-term borrowings (mainly bank financing) are largely hedged by interest swaps. As a result, the Company is not entirely insensitive to movements in interest rates. At year-end 2018 and 2018 the Company has no interest bearing loans and borrowings. The part not covered consists almost entirely of short-term financing and current account positions. If the interest rates had been an average of 100 basis points higher or lower during 2017, the Company's net result after tax (assuming that all other variables remained equal) would have been about NIL (2016: approx. NIL).

Other market price risk

The Company holds some strategic equity investments in other companies where those complement the Company's operations (see note 9). The directors believe that the exposure to market price risk from this activity is acceptable in the Company's circumstances.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.

Due to recent market uncertainty, the Company's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio. The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-adjusted-capital ratios at 31 December 2019 and at 31 December 2018 were as follows:

	2019 (in ₱'000)	2018 (in ₱'000)
Total debt	79,874	148,864
Cash and cash equivalents	38,325	46,756
Net debt	41,549	102,108
Total equity	1,118,077	956,450
Debt to adjusted capital ratio (%)	4%	11%

22 Fair value hierarchy

The financial assets and liabilities as of 31 December 2019 and 2018 are grouped into the fair value hierarchy as presented in the following table.

	Level 1		Level 2		Level 3		Total	
Financial assets	2019	2018 (in ₱'000)	2019	2018 (in ₱'000)	2019	2018 (in ₱'000)	2019	2018 (in ₱'000)
Derivative financial assets (fair value through profit or loss)	627,022	629,223	-	-	-	-	627,022	629,223
Cash and cash equivalents	38,325	46,756	-	-	-	-	38,325	46,756
HTM investments	149,955	137,364	-	-	-	-	149,955	137,364
Receivables	-	-	-	-	105,298	69,014	-	69,014
Total	815,302	813,342	-	-	105,298	69,014	815,302	882,356
Financial liabilities								
Accounts and other liabilities	-	-	-	-	69,725	89,850	69,725	89,850
Claims payable	-	-	-	-	10,149	8,033	10,149	8,033
Total	-	-	-	-	79,874	97,884	79,874	97,884

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and (as noted above) the value of the Company's investments in corporate bonds. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down to overdraft.

The liquidity risk of each Company entity is managed centrally by the Company treasury function. Each operation has a facility with Company treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Company's cash requirements to be anticipated. Where facilities of Company entities need to be increased, approval must be sought from the Company finance director. Where the amount of the facility is above a certain level, agreement of the board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	between 3 and 12 months	etween 1 to 2 year	over 2 years
At 31 December 2019	(in ₱'000)	(in ₱'000)	(in ₱'000)	(in ₱'000)
Accounts and other liabilities	2,134	-	-	-
Claims payable	-	10,149	-	-
Loans and borrowings	-	-	-	-
Total	2,134	10,149	-	-

	Up to 3 months	between 3 and 12 months	etween 1 to 2 year	over 2 years
At 31 December 2018	(in ₱'000)	(in ₱'000)	(in ₱'000)	(in ₱'000)
Accounts and other liabilities	6,588	-	-	-
Claims payable	-	8,033	-	-
Loans and borrowings	-	-	-	-
Total	6,588	8,033	-	-

Capital Disclosures

The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

credit risk of counter parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2' otherwise, it is included in Level 3.

23 APPROVAL OF FINANCIAL STATEMENTS

The Company's amended financial statements as of and for the years ended December 31, 2019 and 2018 were authorized for issuance by the Board of Directors (BOD) on June 14, 2020.

Other supplemental schedules follow.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		√		
Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			√
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7: Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
	Amendments to PFRS 1: Deletion of Short-Term Exemptions for First-Time Adopters			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payments Transactions			√
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		√	
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		√	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations		√	

	Amendment to PFRS 5: Changes in Methods of Disposal		√	
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendment to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
	Amendments to PFRS 7: Servicing contracts	√		
	Amendments to PFRS 7: Applicability of the amendments to PFRS 7 to Condensed Interim Financial Statements	√		
PFRS 8	Operating Segments			√
PFRS 9	Financial Instruments	√		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			√
PFRS 10	Consolidated Financial Statements			√
	Amendments to PFRS 10, PFRS 12, and PAS 27: Consolidation for Investment Entities			√
	Amendments to PFRS 10 and PAS 28: Sale or contribution of Assets between an Investor and its Associate of Joint Venture			√
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			√
PFRS 11	Joint Arrangements			√
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			√
PFRS 12	Disclosure of Interests in Other Entities	√		√
	Amendments to PFRS 10, PFRS 12, and PAS 27: Consolidation for Investment Entities	√		

	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception	√		
	Amendments to PFRS 12: Clarification of the Scope of the Standard		√	
PFRS 13	Fair Value Measurement	√		
PFRS 14	Regulatory Deferral Accounts		√	
PFRS 15	Revenue from Contracts with Customers	√		
	Amendments to PFRS 15: Clarifications to PFRS 15	√		
PFRS 16	Leases			√
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	√		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
	Amendments to PAS 1: Financial Statement Disclosures	√		
PAS 2	Inventories			√
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: Disclosure Initiative	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Period	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	√		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	√		
PAS 16	Property, Plant and Equipment	√		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			√
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			√
PAS 17	Leases			√

PAS 18	Revenue	√		
PAS 19 (Revised)	Employee Benefits		√	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		√	
	Amendments to PAS 19: Contributions from Employees or Third Parties		√	
	Amendments to PAS 19: Discount rate: regional market issue		√	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance		√	
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment to PAS 21: Net Investment in a Foreign Operation		√	
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements			√
	Amendments to PFRS 10, PFRS 12, and PAS 27: Consolidation for Investment Entities	√		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures			√
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			√
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			√
	Amendments to PFRS 10 and PAS 28: Sale or contribution of Assets between an Investor and its Associate of Joint Venture			√
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 32: Classification of Rights Issues			√

	Amendment to PAS 32: Offsetting Financial Assets and Liabilities			√
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting			√
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			√
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures		√	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets			√
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			√
PAS 40	Investment Property			√
	Amendments to PAS 40: Transfers of Investment Property			√
PAS 41	Agriculture			√
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			√
IFRIC 10	Interim Financial Reporting and Impairment	√		
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√

JAABC

J.A. BANARIA AND COMPANY
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

To the Shareholders
PHILIPPINES INTERNATIONAL LIFE INSURANCE CO., INC.
3/F Tanco Building
55 Timog Avenue cor. Tomas Morato
Quezon City, Philippines

We have audited the accompanying financial statements of PHILIPPINES INTERNATIONAL LIFE INSURANCE CO., INC. for the year ended December 31, 2019, on which we have rendered the attached report dated June 14, 2020.

In compliance with SRC Rule 68, we are stating that the Company has 34 stockholders owning 100 or more shares each as of December 31, 2019.

For the firm:

JOJO J. DE QUITO
Partner
TIN 240-893-436
PRC License No.:114128 until December 9, 2022
BIR AN 07-000311-003-2019 until October 29, 2022
IC AN SP-2017/003-O until April 14, 2020
PTR 9407377, January 9, 2020, Quezon City

June 14, 2020

IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirements		√	
IFRIC 15	Agreements for the Construction of Real Estate	√		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation		√	
IFRIC 17	Distributions of Non-cash Assets to Owners		√	
IFRIC 18	Transfers of Assets from Customers	√		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	√		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
IFRIC 22	Foreign Currency Transactions and Advance Consideration		√	
SIC 7	Introduction of the Euro		√	
SIC 10	Government Assistance—No Specific Relation to Operating Activities			√
SIC 15	Operating Leases—Incentives	√		
SIC 25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	√		
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	√		
SIC 29	Service Concession Arrangements: Disclosures	√		
SIC 31	Revenue—Barter Transactions Involving Advertising Services			√
SIC 32	Intangible Assets—Web Site Costs			√

JAABC

J.A. BANARIA AND COMPANY
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE

To the Shareholders
PHILIPPINES INTERNATIONAL LIFE INSURANCE CO., INC.
3/F Tanco Building
55 Timog Avenue cor. Tomas Morato
Quezon City, Philippines

We have audited the accompanying financial statements PHILIPPINES INTERNATIONAL LIFE INSURANCE CO., INC. for the year ended December 31, 2019, on which we have rendered the attached report dated June 14, 2020.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid and accrued by the above company for the year ended December 31, 2019 are shown as part of the notes to financial statements, "note 19"; and

2. That no partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholder of the company.

For the firm:

JOJO J. DE QUITO
Partner
TIN 240-893-436
PRC License No.:114128 until December 9, 2022
BIR AN 07-000311-003-2019 until October 29, 2022
IC AN SP-2017/003-O until April 14, 2020
PTR 9407377, January 9, 2020, Quezon City

June 14, 2020