SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.

(An Open-end Investment Company)

Financial Statements
December 31, 2022 and 2021
and
Independent Auditors' Report

Sun Life Centre, 5th Avenue Cor. Rizal Drive
Bonifacio Global City, 1634 Taguig City

Sun Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of Sun Life Prosperity Achiever Fund 2038, Inc. (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. 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 as at and for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, 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 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 Regulation No. 8-2007 and other relevant issuances; and

c. The Company 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.

Benedicto C. Sison

Benedicto C. Sison, Chairman of the Board

Valerie N. Pama

Valerie N. Pama, President

Jeanemar S. Talaman, Treasurer

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0004-SEC

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

Bureau of Internal Revenue
BIR Building, East Triangle
Diliman, Quezon City

Gentlemen:

In connection with our audit of the statement of financial position of Sun Life Prosperity Achiever Fund 2038, Inc.(the "Company") as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, on which we have rendered our report dated April 14, 2023, and in compliance with the Statement required by Section 8-A of Revenue Regulations V-1, as amended by Revenue Regulations V-20, we state that no partner of our Firm is related by consanguinity or affinity to any of the principal officers or shareholders of the Company.

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

By:

Joeffrey Mark P. Ferrer
Partner
CPA License No. 0115793
SEC A.N. 115973-SEC, issued on August 2, 2022; Group A, valid to audit 2021 to 2025 financial statements
TIN 211965340
BIR A.N. 08-002552-058-2021, issued on September 8, 2021; effective until September 7, 2024
PTR No. A-5701204, issued on January 12, 2023, Taguig City

Taguig City, Philippines
April 14, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life Prosperity Achiever Fund 2038, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
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Joeffrey Mark P. Ferrer
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Taguig City, Philippines
April 14, 2023

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

STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021

		December 31, 2022		December 31, 2021	
	Notes	**Shareholders**	**Unit holders**	Shareholders	Unit holders
ASSETS					
Cash and cash equivalents	6	**P 697,583**	**P 2,308,898**	P 697,574	P 1,471,254
Financial assets at fair value through profit or loss	7	**52,639,174**	**52,987,618**	51,750,185	53,810,662
Accrued interest receivable	7	**-**	**224,696**	-	204,774
Dividends receivable	7	**-**	**15,498**	-	15,510
		P53,336,757	**P55,536,710**	P52,447,759	P55,502,200
LIABILITIES AND EQUITY					
Current Liabilities					
Accrued expenses and other payables	9	**P -**	**P 183,168**	P -	P 103,949
Due to broker	8	**-**	**408,257**	-	-
Payable to fund manager	10	**-**	**67,912**	-	68,026
Total Current Liabilities		**-**	**659,337**	-	171,975
Equity					
Net assets attributable to shareholders		**53,336,757**	-	52,447,759	-
Net assets attributable to unit holders		-	**54,877,373**	-	55,330,225
Total Equity	11	**53,336,757**	**54,877,373**	52,447,759	55,330,225
		P53,336,757	**P55,536,710**	P52,447,759	P55,502,200
Net Asset Value Per Share and Per Unit	12	**P 1.0667**	**P 0.8356**	P 1.0490	P 0.9231

See Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022, 2021 and 2020

		2022		2021		2020	
	Notes	**Shareholders**	**Unit holders**	Shareholders	Unit holders	Shareholders	Unit holders
Investment Income (Loss)							
Net realized losses from investments	7	**P -**	**(P 1,280,720)**	P -	(P 82,434)	P -	P (68,505)
Dividend income	7	**-**	**1,016,796**	-	715,910	-	632,017
Interest income	13	**636**	**649,835**	992	528,359	1,615	428,678
		636	**385,911**	992	1,161,835	1,615	992,190
Investment Expenses							
Commission		**-**	**45,242**	-	12,589	-	17,534
Transactions costs		**-**	**1,690**	-	513	-	725
		-	**46,932**	-	13,102	-	18,259
Net Investment Income		**636**	**338,979**	992	1,148,733	1,615	973,931
Operating Expenses							
Management and transfer fees	10	**-**	**477,646**	-	449,670	-	394,724
Distribution fees	10	**-**	**385,198**	-	362,637	-	318,326
Directors' fees	10	**-**	**237,749**	-	375,490	-	315,070
Professional fees		**-**	**151,424**	-	156,724	-	154,533
Taxes and licenses		**-**	**59,167**	-	55,500	-	53,221
Custodian fees		**-**	**45,534**	-	29,243	-	32,171
Printing and supplies		**-**	**195**	-	219	-	319
Miscellaneous fees		**500**	**3,937**	-	8,629	651	4,476
		500	**1,360,850**	-	1,438,112	651	1,272,840
Profit (Loss) Before Net Unrealized Gains (Losses) on Investments		**136**	**(1,021,871)**	992	(289,379)	964	(298,909)
Net Unrealized Gains (Losses) on Investments	7	**888,989**	**(4,416,049)**	747,380	(897,719)	1,258,746	(1,903,443)
Profit (Loss) Before Tax		**889,125**	**(5,437,920)**	748,372	(1,187,098)	1,259,710	(2,202,352)
Income Tax Expense	16	**127**	**172,218**	198	116,933	323	100,708
Net Profit Attributable to Shareholders		**888,998**	**-**	748,174	-	1,259,387	-
Net Loss Attributable to Unit holders		**-**	**(5,610,138)**	-	(1,304,031)	-	(2,303,060)
Total Comprehensive Income (Loss) for the Year		**P888,998**	**(P5,610,138)**	P748,174	(P1,304,031)	P1,259,387	P (2,303,060)
Basic Earnings (Loss) Per Share and Per Unit	14	**P 0.0178**	**(P 0.088)**	P 0.0150	(P 0.0228)	P 0.0252	(P 0.0439)

See Notes to Financial Statements.

SUN LIFE PROSPERITY ACHIEVER FUND 2038, INC.
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STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022, 2021 and 2020

	Note	Shareholders			
		Share Capital	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
Balance, January 1, 2020		P500,000	P49,500,000	P440,198	P50,440,198
Total comprehensive income for the year		-	-	1,259,387	1,259,387
Balance, December 31, 2020	11	500,000	49,500,000	1,699,585	51,699,585
Total comprehensive income for the year		-	-	748,174	748,174
Balance, December 31, 2021	11	500,000	49,500,000	2,447,759	52,447,759
Total comprehensive income for the year		-	-	888,998	888,998
Balance, December 31, 2022	**11**	**P500,000**	**P49,500,000**	**P3,336,757**	**P53,336,757**

See Notes to Financial Statements.

For the Years Ended December 31, 2022, 2021 and 2020

		Unit holders		
	Note	**Principal Capital**	**Deficit**	**Total**
Balance, January 1, 2020		P 51,516,803	P (183,819)	P 51,332,984
Transactions with unit holders:				
Contributions	11	3,349,691	-	3,349,691
Withdrawals	11	(76,904)	-	(76,904)
Total comprehensive loss for the year		-	(2,303,060)	(2,303,060)
Balance, December 31, 2020		54,789,590	(2,486,879)	52,302,711
Transactions with unit holders:				
Contributions	11	4,898,330	-	4,898,330
Withdrawals	11	(566,785)	-	(566,785)
Total comprehensive loss for the year		-	(1,304,031)	(1,304,031)
Balance, December 31, 2021		59,121,135	(3,790,910)	55,330,225
Transactions with unit holders:				
Contributions	11	6,177,760	-	6,177,760
Withdrawals	11	(1,020,474)	-	(1,020,474)
Total comprehensive loss for the year		-	(5,610,138)	(5,610,138)
Balance, December 31, 2022		**P64,278,421**	**(P9,401,048)**	**P54,877,373**

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022, 2021 and 2020

		2022		2021		2020	
	Notes	**Shareholders**	**Unit holders**	Shareholders	Unit holders	Shareholders	Unit holders
Cash Flows from Operating Activities							
Profit (loss) before tax		**P889,125**	**(P5,437,920)**	P 748,372	(P 1,187,098)	P1,259,710	(2,202,352.00)
Net unrealized losses (gains) on investments	7	**(888,989)**	**4,416,049**	(747,380)	897,719	(1,258,746.00)	1,903,443.00
Interest income	13	**(636)**	**(649,835)**	(992)	(528,359)	(1,615)	(428,678.00)
Net realized losses on investments	7	**-**	**1,280,720**	-	82,434	-	68,505.00
Dividend income	7	**-**	**(1,016,796)**	-	(715,910)	-	(632,017)
Operating cash flows before working capital changes		**(500)**	**(1,407,782)**	-	(1,451,214)	(651)	(1,291,099)
Increase (decrease) in:							
Payable to fund manager	10	**-**	**(114)**	-	5,536	(19,759)	(61,379)
Accrued expenses and other payables		**-**	**79,219**	-	(37,565)	-	37,022
Cash used in operations		**(500)**	**(1,328,677)**	-	(1,483,243)	(20,410)	(1,315,456)
Acquisitions of financial assets at fair value through profit or loss	7, 8	**-**	**(11,508,301)**	-	(6,784,131)	-	(7,055,476)
Proceeds from disposal of financial assets at fair value through profit or loss	7	**-**	**7,042,833**	-	2,825,657	-	4,278,451
Interest received	13	**636**	**629,913**	992	497,855	1,615	406,208
Dividend received		**-**	**1,016,808**	-	719,470	-	635,947
Income taxes paid		**(127)**	**(172,218)**	(198)	(116,933)	(323)	(100,708)
Net cash generated from (used in) operating activities		**9**	**(4,319,642)**	794	(4,341,325)	(19,118)	(3,151,034)
Cash Flows from Financing Activities							
Contributions from unit holders	11	**-**	**6,177,760**	-	4,898,330	-	3,349,691
Withdrawals of unit holders	11	**-**	**(1,020,474)**	-	(566,785)	-	(76,904)
Net cash generated from financing activities		**-**	**5,157,286**	-	4,331,545	-	3,272,787
Net incease (decrease) in cash and cash equivalents		**9**	**837,644**	794	(9,780)	(19,118)	121,753
Cash and cash equivalents, Beginning		**697,574**	**1,471,254**	696,780	1,481,034	715,898	1,359,281
Cash and cash equivalents, End		**P 697,583**	**P2,308,898**	P 697,574	P 1,471,254	P696,780	1,481,034

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

1. CORPORATE INFORMATION

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

The Company appointed Sun Life Asset Management Company, Inc. (SLAMCI), an investment management company incorporated in the Philippines and a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI), as its fund manager, adviser, administrator, distributor and transfer agent and provider of management, distribution and all required operational services, as disclosed in Note 10.

As at December 31, 2022 and 2021, SLAMCI owns 99.99% of the Company's share capital attributable to shareholders. The Company's registered office address and principal place of business is at the 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation and Presentation

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

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

Functional and Presentation Currency

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

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2022

The Company adopted all accounting standards and interpretations effective as at December 31, 2022. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FSRSC in the Philippines were adopted by the Company and were assessed as not applicable and have no impact on the Company's financial statements.

New Accounting Standards Effective as at Reporting Period Ended December 31, 2022

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

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

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

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

The adoption of the amendments did not have an effect on the Company's financial statements as the Company did not acquire a business nor in the process of entering into business combination.

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

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

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

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

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

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

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

The adoption of the amendments did not have an effect on the Company's financial statements as the Company did not have property, plant and equipment recorded in its financial statements.

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

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

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

The adoption of the amendments did not have an effect on the Company's financial statements as the Company did not issue and enter into onerous contract.

Annual Improvements to PFRS Standards 2018-2020 Cycle

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

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

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

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

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

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

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

Amendments to PFRS 16, *Lease incentives*

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

Amendments to PAS 41, *Taxation in fair value measurements*

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

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

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

The adoption of the amendments did not have an effect on the Company's financial statements as the Company did not have subsidiary as a first-time adopter; did not derecognize any liabilities; did not have lease contracts and leasehold improvements; and did not have biological assets covered by PAS 41 that need to exclude its cash flows for taxation on its financial statements.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2022

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

PFRS 17, *Insurance contracts*

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

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

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

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

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

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

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Earlier application is permitted.

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

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

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

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

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

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

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

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

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

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements since the current classification is not expected to change and that the existing liabilities of the Company are all current.

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

The amendments are as follows:

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

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

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements as all material accounting policy information are already disclosed in the notes to the financial statements.

Amendments to PAS 8*, Definition of Accounting Estimates*

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

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

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

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

The future adoption of the amendments will have no effect on the Company's financial statements as the clarification in the amendment does not change the Company's definition of an accounting estimate.

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

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

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

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

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

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

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

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

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have transactions that give rise to the recognition of deferred tax asset and liability.

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

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

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

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

There are no changes to the transition requirements in PFRS 9.

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

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

Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

The amendments to PFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retain

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of BOA and FSRSC.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have lease liability recorded in its financial statements.

Amendments to PAS 1*, Non-current Liabilities with Covenants*

The amendments to PAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of BOA and FSRSC.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have non-current liability with covenants recorded in its financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Financial assets

Initial recognition and measurement

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

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

Classification and Subsequent Measurement

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

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

As at December 31, 2022 and 2021, the Company does not have financial assets classified as FVTOCI.

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

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

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

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

Debt instruments

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

- Amortized cost. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- FVTPL. Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within other gains/(losses) in period in which it arises. Interest income from these financial assets is included in finance income.

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

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

Amortized cost and effective interest method

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

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

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

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

Equity instruments

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

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

Changes in the fair value of financial assets at FVTPL are recognized in net realized gains (losses) on investments in the statements of profit or loss as applicable.

Impairment of financial assets

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

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

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

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

Default

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

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

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

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

Credit-impaired financial assets

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

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

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

Write-off

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

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

Measurement and recognition of ECL

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

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

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

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

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

Presentation of allowance for ECL in the statements of financial position

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

<u>Derecognition</u>

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

<u>Financial liabilities</u>

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities measured subsequently at amortized cost

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

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

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

Offsetting financial instruments

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Share capital

Share capital consisting of ordinary shares is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Any excess of proceeds from issuance of shares over its par value is recognized as additional paid-in capital.

Retained earnings (deficit)

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

Units of participation

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

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

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

Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

<u>Dividend income</u>

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

<u>Interest income</u>

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

<u>Realized gains or losses</u>

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

<u>Fair value gains or losses</u>

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

Expense Recognition

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

Expenses in the statements of comprehensive income are presented using the function of expense method. Investment expenses are transaction costs incurred in the purchase and sale of investments. Operating expenses are costs attributable to administrative and other business expenses of the Company including management fees and custodianship fees.

Fair Value

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

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

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

Related Party Transactions

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

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions.

An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

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

<u>Current tax</u>

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate or 1% minimum corporate income tax (MCIT), rate in 2022 and 2021 and 30% RCIT rate or 2% MCIT rate, whichever is higher, in 2020, respectively.

<u>Final tax</u>

Final tax expense represents final taxes withheld on interest income from cash and cash equivalents and fixed-income securities.

<u>Deferred tax</u>

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

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

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

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

Current and deferred taxes for the year

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

Earnings (Loss) per Share/Unit

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

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

Net Asset Value per Share (NAVPS)

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

Net Asset Value per Unit (NAVPU)

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

Events After the Reporting Period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Judgments in Applying Accounting Policies

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

Business model assessment

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

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

As at December 31, 2022 and 2021, the Company’s financial assets measured at FVTPL attributable to shareholders amounted to P52,639,174, and P51,750,185, respectively, and attributable to unit holders amounted to P52,987,618 and P53,810,662, respectively, as disclosed in Note 7.

Financial assets at amortized cost attributable to shareholders amounted to P697,583 and P697,574, respectively, and attributable to unit holders amounted to P2,549,092 and P1,691,538 as at December 31, 2022 and 2021, respectively, composed of cash and cash equivalents, accrued interest receivables and dividend receivables, disclosed in Note 6 and 7.

Significant increase of credit risk

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

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 18.

As at December 31, 2022 and 2021, the Company’s financial instruments measured at amortized cost has not experienced a significant increase in credit risk.

Models and assumptions used

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

The Company’s model and assumptions used in measuring the fair value of financial assets and estimating ECL are disclosed in Notes 15 and 18, respectively.

Puttable shares designated as equity instruments

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

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

a. it entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets;

b. it is in the class of instruments that is subordinate to all other classes of instruments;

c. all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

d. apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments; and

e. the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument (excluding any effects of the instrument).

As at December 31, 2022 and 2021, the recognized amount of share capital attributable to shareholders representing puttable share in the statements of financial position amounted to P500,000, while the amount of contributions attributable to unit holders in the statements of financial position amounted to P64,278,421 and P59,121,135, respectively, as disclosed in Note 11.

Key Sources of Estimation Uncertainty

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

Probability of default (PD)

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

As at December 31, 2022 and 2021, the Company assessed a nil PD for all of its financial assets measured at amortized cost.

The assumptions used by the Company in estimating PD is disclosed in Note 18.

Loss given default (LGD)

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

The Company uses portfolio averages from external estimates sourced out from Standard and Poor's (S&P) as the LGD estimates. The categorization of LGD estimates per financial asset measured at amortized cost is disclosed in Note 18.

Estimating loss allowance for ECL

The measurement of the ECL allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 18 Credit Risk - ECL measurement, which also sets out the key sensitivities of the ECL to changes in these elements.

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

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

The Company's ECL assessment on the financial assets measured at amortized cost is disclosed in Note 18.

Deferred tax assets

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

Based on Management's expectation of the Company's future taxable income, the Company did not recognize deferred tax assets as at December 31, 2022 and 2021, as disclosed in Note 16.

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

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

As at December 31, 2022 and 2021, the carrying amounts of investments in debt securities classified as financial assets at FVTPL amounted to P9,839,466 and P10,322,073, respectively, as disclosed in Note 7.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2022	2021
Attributable to shareholders:		
Cash in banks	**P 697,583**	P 697,574
Attributable to unit holders:		
Cash in banks	**P 781,324**	P1,471,254
Cash equivalents	**1,527,574**	-
	P2,308,898	P1,471,254

Cash in banks attributable to shareholders earned interest amounting to P636, P992 and P1,615 in 2022, 2021 and 2020, respectively, at an average rate of 0.07%, 0.14% and 0.43%, respectively, as disclosed in Note 13.

Cash in banks attributable to unit holders earned interest amounting to P3,899, P2,194 and P864 at an average rate of 0.07%, 0.15% and 0.06% in 2022, 2021 and 2020, respectively, as disclosed in Note 13.

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

Cash equivalents attributable to unit holders earned interest amounting to P14,441, nil and P1,964 at average rate of 1.89%, nil and 0.14% in 2022, 2021 and 2020, respectively, as disclosed in Note 13.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of:

	Note	2022	2021
Attributable to shareholders:			
Investment in a mutual fund	10	**P52,639,174**	P51,750,185
Attributable to unit holders:			
Investments in listed equity securities		**P43,148,152**	P43,488,589
Investments in fixed-income securities		**9,839,466**	10,322,073
		P52,987,618	P53,810,662

Investment in a mutual fund is an investment to Sun Life Prosperity Peso Starter Fund, Inc. as disclosed in Note 10.

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

The Company recognized dividend income from investments in listed equity securities attributable to unit holders amounting to P1,016,796, P715,910 and P632,017 in 2022, 2021 and 2020, respectively. Dividends receivable attributable to unit holders amounted to P15,498 and P15,510 as at December 31, 2022 and 2021, respectively.

Interest income earned on fixed-income securities attributable to unit holders amounted to P631,495, P526,165 and P425,850 in 2022, 2021 and 2020, respectively, as disclosed in Note 13. Average interest rates earned on these investments are also disclosed in Note 13. Accrued interest receivable attributable to unitholders amounted to P224,696 and P204,774 as at December 31, 2022 and 2021, respectively.

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

	2022	2021	2020
Attributable to shareholders:			
Net unrealized gains on investments	**P 888,989**	P 747,380	P1,258,746
Attributable to unit holders:			
Net realized gains (losses) on investments in:			
Equity securities	**(P 1,280,720)**	(P 233,278)	(P 334,990)
Fixed-income securities	**-**	150,844	266,485
	(1,280,720)	(82,434)	(68,505)
Net unrealized gains (losses) on investments in:			
Equity securities	**(2,374,833)**	340,822	(2,393,850)
Fixed-income securities	**(2,041,216)**	(1,238,541)	490,407
	(4,416,049)	(897,719)	(1,903,443)
	(P 5,696,769)	(P 980,153)	(P1,971,948)

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

	2022	2021	2020
Attributable to shareholders:			
Balance, January 1	**P51,750,185**	P51,002,805	P49,744,059
Unrealized gains	**888,989**	747,380	1,258,746
Balance, December 31	**P52,639,174**	P51,750,185	P51,002,805
Attributable to unit holders:			
Balance, January 1	**P53,810,662**	P50,832,341	P50,027,264
Additions	**11,916,558**	6,784,131	7,055,476
Disposal	**(8,323,553)**	(2,908,091)	(4,346,956)
Unrealized losses	**(4,416,049)**	(897,719)	(1,903,443)
Balance, December 31	**P52,987,618**	P53,810,662	P50,832,341

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

	2022	2021
Attributable to unit holders:		
Due after five years through ten years	**P 100,000**	P -
Due after ten years	**10,610,000**	9,210,000
	P10,710,000	P9,210,000

8. DUE TO BROKERS

Due to brokers account pertains to amounts payable to brokers for the purchase of investments processed on or before the reporting period, which are settled three days after the transaction date.

Due to brokers amounted to P408,257 and nil as at December 31, 2022 and 2021, respectively.

Counterparties to the contract are not allowed to offset payable and receivable arising from the purchase and sale of investments.

9. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	2022	2021
Attributable to Unit holders:		
Professional fees	**P151,424**	P 83,924
Withholding taxes	**10,426**	12,566
Due to investors	**9,014**	-
Custodianship fees	**6,498**	2,186
Supervisory fees	**5,806**	5,273
	P183,168	P103,949

Due to investors account pertains to amounts payable to investors for the redemption of their investments processed on or before the reporting period, which are usually paid four days after the transaction date.

10. RELATED PARTY TRANSACTIONS

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

As at December 31, 2022 and 2021, below is the outstanding investment of the Company in Sun Life Prosperity Peso Starter Fund, Inc.:

		2022		2021	
	Note	**Shares**	**Current Value**	Shares	Current Value
Attributable to shareholders					
Investments in a mutual fund	7	**39,335,805**	**P52,639,174**	39,335,805	P51,750,185

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

Nature of transaction	Transactions during the year			Outstanding payable		Terms	Condition	Notes
	2022	2021	2020	**2022**	2021			
SLAMCI - Fund Manager								
Management, Distribution and Transfer fees	**P862,844**	P812,307	P713,050	**P 67,912**	P68,026	Non-interest bearing; Annual rate of 1.40% of average daily net assets; settled in cash on or before the 15th day of the following month	Unsecured; Unguaranteed	a
Key Management Personnel								
Directors' fees	**237,749**	375,490	315,070	-	-	Payable on demand; Settled in cash	Unsecured: Unguaranteed	b
Entities Under Common Control								
Sun Life Grepa Financial, Inc.								
Purchase	**-**	-	1,198,655	**-**	-	Non-interest bearing; Settled in cash on the day of transaction	Unsecured	c
Sun Life of Canada Philippines, Inc.								
Sale	**-**	**-**	1,781,017	**-**	-			

As at December 31, 2022 and 2021, SLAMCI subscribed 50,000,000 units to the Company representing 76.13% and 83.42% of net assets attributable to unit holders, respectively.

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

a. Investment Management

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

On July 13, 2022, the Board of Directors of the Company and SLAMCI jointly approved to continue its MDA and Transfer Agency Agreements based on the provisions of ICA 2018 IRR (Implementing Rules and Regulations of the Investment Company Act 2018) published by the SEC on January 11, 2018. The agreements shall remain to continue in effect from year to year as approved by the respective Board of Directors of the Company and SLAMCI.

Management, distribution and transfer fees attributable to unitholders charged by SLAMCI to the Company in 2022, 2021 and 2020 amounted to P862,844, P812,307 and P713,050, respectively. Accrued management fees as at December 31, 2022 and 2021 amounting to P67,912 and P68,026, respectively, are shown as "Payable to Fund Manager" in the statements of financial position.

b. Remuneration of Directors

Remuneration of directors is presented in the statements of comprehensive income under "Directors' Fees" account amounting to P237,749, P375,490 and P315,070 attributable to unitholders in 2022, 2021 and 2020, respectively, which are usually paid to directors based on the number of meetings held and attended. There were no outstanding accrued directors' fees as at December 31, 2022 and 2021.

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

c. Purchase and Sale of Investments

These types of transactions are buy and sell of the same security between portfolios of two separate affiliated legal entities and whose assets are managed by managed by Investments Department of SLAMCI until July 25, 2021 and Sun Life Investment Management and Trust Corporation from July 26, 2021 onwards. Portfolio Managers determine that this is appropriate and in the best interest of certain portfolios and ensure that the trade will be executed in a manner that is fair and equitable to both parties involved in the cross trade.

11. EQUITY

Movements are as follows:

	2022		2021		2020	
	Shares/Units	**Amount**	Shares/Units	Amount	Shares/Units	Amount
Attributable to shareholders:						
Authorized:						
at P0.01 par value	**200,000,000**	**P 2,000,000**	200,000,000	P 2,000,000	200,000,000	P 2,000,000
Issued and outstanding	**50,000,000**	**P 500,000**	50,000,000	P 500,000	50,000,000	P 500,000
Attributable to unit holders:						
Offer units:						
at P1.00 initial offer price	**100,000,000,000**	**P100,000,000,000**	100,000,000,000	P100,000,000,000	100,000,000,000	P100,000,000,000
Issued and outstanding						
At January 1	**59,939,579.72**	**P 59,121,135**	55,104,378.31	P 54,789,590	51,517,960.52	P 51,516,803
Contributions	**6,966,289.19**	**6,177,760**	5,449,407.19	4,898,330	3,672,863.39	3,349,691
Withdrawals	**(1,230,223.12)**	**(1,020,474)**	(614,205.78)	(566,785)	(86,445.60)	(76,904)
At December 31	**65,675,645.79**	**P 64,278,421**	59,939,579.72	P 59,121,135	55,104,378.31	P 54,789,590

Incorporation

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

Current state

As at December 31, 2022, the Company has 50,000,000 issued and outstanding shares out of the 200,000,000 authorized shares with a par value of P0.01 per share attributable to shareholders and has 65,675,645.79 subscribed units out of 100,000,000,000 offer units.

Redeemable shares

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

a. Distribution of dividends

   Each shareholder has a right to any dividends declared by the Company's Board of Directors and approved by 2/3 of its outstanding shareholders.

b. Denial of pre-emptive rights

   No shareholder shall, because of his ownership of the shares, has a pre-emptive or other right to purchase, subscribe for, or take any part of shares or of any other securities convertible into or carrying options or warrants to purchase shares of the registrant.

c. Right of redemption

   The holder of any share, upon its presentation to the Company or to any of its duly authorized representatives, is entitled to receive, by way of redemption, approximately his proportionate share of the Company's current net assets or the cash equivalent thereof. Shares are redeemable at any time at their net assets value less any applicable sales charges and taxes.

Redeemable Units

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

Additional paid-in capital attributable to shareholders amounting to P49,500,000 as at December 31, 2022 and 2021 pertains to excess payments over par value from shareholders. However, no corresponding additional paid-in capital is recognized upon issuance of units as these are issued at no par value.

12. NET ASSET VALUE PER SHARE / PER UNIT

NAVPS and NAVPU are computed as follows:

	Note		**2022**		2021
Attributable to shareholders:					
Total equity		**P**	**53,336,757**	P	52,447,759
Issued and outstanding shares	11		**50,000,000**		50,000,000
NAVPS		**P**	**1.0667**	P	1.0490
Attributable to unit holders:					
Total equity		**P**	**54,877,373**	P	55,330,225
Subscribed units	11		**65,675,645.79**		59,939,579.72
NAVPU		**P**	**0.8356**	P	0.9231

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

13. INTEREST INCOME

This account consists of interest income on the following:

	Notes	2022	2021	2020
Attributable to shareholders:				
Cash in banks	6	**P 636**	P 992	P 1,615
Attributable to unit holders:				
Fixed-income securities	7	**P631,495**	P526,165	P425,850
Cash equivalents	6	**14,441**	-	1,964
Cash in banks	6	**3,899**	2,194	864
		P649,835	P528,359	P428,678

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

Average interest rates of investments, cash equivalents and cash in banks in 2022, 2021 and 2020 are as follows:

	Notes	2022	2021	2020
Attributable to shareholders:				
Cash in banks	6	**0.07%**	0.14%	0.43%
Attributable to unit holders:				
Fixed-income securities	7	**6.72%**	6.00%	6.75%
Cash in banks	6	**0.07%**	0.15%	0.06%
Cash equivalents	6	**1.89%**	0.00%	0.14%

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

	Notes	2022	2021	2020
Attributable to shareholders:				
Cash in banks	6	**P 636**	P 992	P 1,615
Attributable to unit holders:				
Financial assets at FVTPL	7	**P631,495**	P526,165	P425,850
Cash and cash equivalents	6	**18,340**	2,194	2,828
		P649,835	P528,359	P428,678

14. EARNINGS (LOSS) PER SHARE / PER UNIT

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

	Note	2022	2021	2020
Attributable to shareholders:				
Profit for the year		**P 888,998**	P 748,174	P 1,259,387
Weighted average number of shares:				
Issued and outstanding	11	**50,000,000**	50,000,000	50,000,000
Basic and diluted earnings per share		**P 0.0178**	P 0.0150	P 0.0252
Attributable to unit holders:				
Loss for the year		**(P 5,610,138)**	(P 1,304,031)	(P 2,303,060)
Weighted average number of units:				
Subscribed units	11	**64,023,745.92**	57,162,119.81	52,474,669.95
Basic and diluted loss per unit		**(P 0.088)**	(P 0.0228)	(P 0.0439)

As at December 31, 2022 and 2021, the Company has no dilutive potential ordinary shares.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value classified under level 1 based on the degree to which the inputs to fair value are observable.

	Note	Level 1
December 31, 2022		
Attributable to shareholders:		
Investment in mutual fund	7	**P52,639,174**
Attributable to unit holders:		
Investments in listed equity securities	7	**P43,148,152**
Investment in fixed-income securities	7	**9,839,466**
		P52,987,618
December 31, 2021		
Attributable to shareholders:		
Investment in mutual fund	7	P51,750,185
Attributable to unit holders:		
Investments in listed equity securities	7	P43,488,589
Investments in fixed-income securities	7	10,322,073
		P53,810,662

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

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

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

Financial asset and liabilities not measured at fair value

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

			Fair Values		
	Notes	Carrying Amounts	Level 1	Level 2	Total
December 31, 2022					
Attributable to shareholders:					
Financial Asset					
Cash in banks	6	**P 697,583**	**P 697,583**	**P -**	**P 697,583**
Attributable to unit holders:					
Financial Assets					
Cash in banks	6	**P 781,324**	**P 781,324**	**P -**	**P 781,324**
Cash equivalents	6	**1,527,574**	**1,527,574**	**-**	**1,527,574**
Accrued interest receivable	7	**224,696**	**-**	**224,696**	**224,696**
Dividends receivable	7	**15,498**	**-**	**15,498**	**15,498**
		P2,549,092	**P2,308,898**	**P240,194**	**P2,549,092**
Financial Liabilities					
Accrued expenses and other payables	9	**P 172,742**	**P -**	**P172,742**	**P 172,742**
Due to brokers	8	**408,257**	**-**	**408,257**	**408,257**
Payable to fund manager	10	**67,912**	**-**	**67,912**	**67,912**
		P 648,911	**P -**	**P 648,911**	**P 648,911**

	Notes	Carrying Amounts	Fair Values Level 1	Level 2	Total
December 31, 2021					
Attributable to shareholders:					
Financial Asset					
Cash in banks	6	P 697,574	P 697,574	P -	P 697,574
Attributable to unit holders:					
Financial Assets					
Cash in banks	6	P1,471,254	P1,471,254	P -	P1,471,254
Accrued interest receivable	7	204,774	-	204,774	204,774
Dividends receivable	7	15,510	-	15,510	15,510
		P1,691,538	P1,471,254	P220,284	P1,691,538
Financial Liabilities					
Accrued expenses and other payables	9	P 91,383	P -	P 91,383	P 91,383
Payable to fund manager	10	68,026	-	68,026	68,026
		P 159,409	P -	P159,409	P 159,409

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

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

There were no transfers between Level 1 and 2 in 2022 and 2021.

16. INCOME TAXES

Details of income tax expense are as follows:

	2022	2021	2020
Final tax	**P172,345**	P117,131	P101,031

The reconciliation between income tax expense and the product of accounting loss multiplied by 25% in 2022 and 2021 and 30% in 2020 is as follows:

	2022	2021	2020
Accounting loss before tax	**(P4,548,795)**	(P 438,726)	(P 942,642)
Tax benefit at 25% in 2022 and 2021 and 30% in 2022	**(1,137,199)**	(109,682)	(282,793)
Net unrealized losses on investments	**881,765**	37,585	193,409
Unrecognized Net Operating Loss Carry-Over (NOLCO)	**352,071**	362,804	387,525
Net realized losses on investments	**320,180**	20,609	20,552
Dividend income exempt from tax	**(254,199)**	(178,978)	(189,605)
Adjustment for income subject to lower tax rate	**9,727**	(15,207)	(28,057)
	P 172,345	P 117,131	P 101,031

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

Among others, the Act includes the following significant revisions:

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

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

The tax rate used in the reconciliations above is the corporate tax rate of 25% in 2022 and 2021 and 30% in 2020 payable by the Company.

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

Year Incurred	Year of Expiry	Beginning Balance	Addition	Expired	**2022 Balance**
2019	2022	P1,432,683	P -	P1,432,683	**P -**
2022	2025	-	1,408,282	-	**1,408,282**
		P1,432,683	P1,408,282	P1,432,683	**P1,408,282**

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

Year Incurred	Year of Expiry	Beginning Balance	Addition	Expired	**2022 Balance**
2020	2025	P1,291,750	P -	P -	**P1,291,750**
2021	2026	1,451,214	-	-	**1,451,214**
		P2,742,964	P -	P -	**P2,742,964**

Pursuant to Section 4 COVID-19 Response and recovery Interventions paragraph (bbbb) of Republic Act No. 11494 also known as "Bayanihan to Recover As One Act" and to RR No. 25-2020 of Bureau of Internal Revenue, the NOLCO incurred by the Company for taxable years 2021 and 2022 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

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

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

17. CONTINGENCIES

The Company has no pending legal cases as at December 31, 2022 and 2021 that may have a material effect on the Company's financial position and results of operations.

18. FINANCIAL RISK MANAGEMENT

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

Market risk

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

Interest rate risk

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

The primary source of the Company's interest rate risk relates to cash and cash equivalents and fixed-income securities. Interest rates of the financial assets are disclosed in Notes 6 and 13.

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

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

The following table details the increase or decrease in net profit after tax if interest rates had been 50 basis points higher or lower and all other variables are held constant for the periods ended 2022, 2021 and 2020:

Change in Interest rates	Increase (Decrease) in Net Profit or Loss/Equity		
	2022	2021	2020
Attributable to shareholders:			
+50 basis	**2,790**	P 2,790	P 2,787
-50 basis	**(2,790)**	(2,790)	(2,787)
Attributable to unit holders:			
+50 basis	**(141,157)**	(P468,682)	(P452,605)
-50 basis	**150,599**	499,126	482,643

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

Equity price risk

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

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

Based on the exposure to equity price risks at the end of each reporting period, if equity prices and NAVPS of investment in mutual fund had been 2% higher or lower, profit or loss for the years ended December 31, 2022, 2021 and 2020 would have increased or decreased by:

Change in equity price	Increase (Decrease) in Net Profit or Loss/Equity		
	2022	2021	2020
Attributable to shareholders:			
+/-200 basis	**1,052,783**	P1,035,004	P1,020,056
Attributable to unit holders			
+/-200 basis	**820,772**	856,134	810,255

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

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

Credit risk

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

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

	Notes	**2022**	2021
Attributable to shareholders:			
Cash in banks	6	**P 697,583**	P 697,574
Attributable to unit holders:			
Cash in banks	6	**P 781,324**	P 1,471,254
Cash equivalents	6	**1,527,574**	-
Financial asset at FVTPL	7	**9,839,466**	10,322,073
Accrued interest receivable	7	**224,696**	204,774
Dividends receivable	7	**15,498**	15,510
		P 12,388,558	P12,013,611

ECL measurement

In 2022 and 2021, ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

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

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit rating and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Company assessed that the key economic variables are unemployment rates in 2020 and gross domestic product (GDP) and unemployment rates for 2022 and 2021.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on the economic data from the International Monetary Fund (IMF) from year 2023 until 2027. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

In addition to the base economic scenario, the best value economically spanning from the historical years is taken (upside forecasts). A similar approach applies for the downside forecasts. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The per-scenario Forward Looking Adjustments were assigned probability weights of 70% for the base scenario and 15% for each of the upside and downside forecast in 2022 and 2021.

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

The following table details the credit quality of the Company's financial assets, as well as the Company's maximum credit exposure to credit risk by credit risk rating grades as at December 31, 2022 and 2021:

	Notes	Internal credit rating	Category	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
2022							
Attributable to shareholders:							
Cash in banks	6	**AAA**	**Stage 1**	**12-month ECL**	**P 697,583**	**P -**	**P 697,583**
Attributable to unit holders:							
Cash in banks	6	**AAA**	**Stage 1**	**12-month ECL**	**P 781,324**	**P -**	**P 781,324**
Cash equivalents	6	**AAA**	**Stage 1**	**12-month ECL**	**1,527,574**	**-**	**1,527,574**
Accrued interest receivable	7	**AAA**	**Stage 1**	**12-month ECL**	**224,696**	**-**	**224,696**
Dividends receivable	7	**AAA**	**Stage 1**	**12-month ECL**	**15,498**	**-**	**15,498**
					P2,549,092	**P -**	**P2,549,092**
2021							
Attributable to shareholders:							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 697,574	P -	P 697,574
Attributable to unit holders:							
Cash in banks	6	AAA	Stage 1	12-month ECL	P1,471,254	P -	P1,471,254
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	204,774	-	204,774
Dividends receivable	7	AAA	Stage 1	12-month ECL	15,510	-	15,510
					P1,691,538	P -	P1,691,538

Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company aims to maintain an appropriate level of liquidity which means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity.

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

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

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

	Less than One Month	One Month to One Year	Total
2022			
Attributable to unit holders:			
Accrued expenses and other payables	**P 9,014**	**P163,728**	**P172,742**
Due to brokers	**408,257**	**-**	**408,257**
Payable to fund manager	**67,912**	**-**	**67,912**
	P485,183	**P163,728**	**P648,911**
2021			
Accrued expenses and other payables	P -	P91,383	P 91,383
Payable to fund manager	68,026	-	68,026
	P68,026	P91,383	P159,409

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

There were no outstanding financial liabilities attributable to shareholders as at December 31, 2022 and 2021.

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

	Average Effective Interest Rate	Less than One Year	One to Five Years	Five to Ten Years	More than Ten Years	Total
Attributable to shareholders:						
2022						
Cash in banks	**0.07%**	**P697,583**	**P -**	**P -**	**P -**	**P697,583**
2021						
Cash in banks	0.14%	P 697,574	P -	P -	P -	P 697,574
Attributable to unit holders:						
2022						
Cash in banks	**0.07%**	**P 781,324**	**P -**	**P -**	**P -**	**P 781,324**
Cash equivalents	**1.89%**	**1,527,574**				**1,527,574**
Financial assets at FVTPL	**6.72%**	**6,759**	**27,036**	**133,522**	**10,653,462**	**10,820,779**
Accrued interest receivable		**224,696**	**-**	**-**	**-**	**224,696**
Dividends receivable		**15,498**	**-**	**-**	**-**	**15,498**
		P2,555,851	**P27,036**	**P133,522**	**P10,653,462**	**P13,369,871**

	Average Effective Interest Rate	Less than One Year	One to Five Years	Five to Ten Years	More than Ten Years	Total
2021						
Cash in banks	0.15%	P1,471,254	P -	P -	P -	P 1,471,254
Financial assets at FVTPL	6.00%	579,263	2,317,050	2,896,313	13,640,199	19,432,825
Accrued interest receivable		204,774	-	-	-	204,774
Dividends receivable		15,510	-	-	-	15,510
		P2,270,801	P 2,317,050	P 2,896,313	P 13,640,199	P21,124,363

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

19. CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Company consists of issued capital as disclosed in Note 11.

The Fund Manager manages the Company's capital and NAVPS, as disclosed in Notes 11 and 12 to ensure that the Company's net asset value remains competitive and appealing to prospective investors.

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

a. It does not issue senior securities;

b. It does not intend to incur any debt or borrowing. In the event that borrowing is necessary, it can do so only if, at the time of its incurrence or immediately thereafter, there is asset coverage of at least 300% for all its borrowings;

c. It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital;

d. It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects;

e. It does not invest directly in real estate properties and developments;

f. It does not purchase or sell commodity futures contracts;

g. It does not engage in lending operations to related parties such as the members of the Board of Directors, officers of the Company and any affiliates, or affiliated corporations of the Company;

h. The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions; and

i. It does not change its investment objectives without the prior approval of a majority of its shareholders.

The Investment Policies refer to the following:

a. Investment Objective - to provide total returns consisting of current income and capital growth through the investment in a mix of high-quality debt (bonds) and equity (stocks) securities from both domestic and foreign issuers.

b. Benchmark - the fund's performance is measured against 50% PSE Index and 45% Bloomberg Sovereign Bond Index 1 to 5 Year and 5% 30-day special savings deposits.

c. Asset Allocation Range - the Company allocates its funds available for investments among cash and other deposit substitute, fixed-income securities and equity securities based on certain proportion as approved by Management.

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

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

As at December 31, 2022 and 2021, the Company is in compliance with the above requirements and minimum equity requirement of the SEC of P50,000,000.

The equity ratio at period-end is as follows:

	2022	2021
Attributable to shareholders:		
Equity	**P53,336,757**	P52,447,759
Total assets	**53,336,757**	52,447,759
Equity ratio	**1.0000:1**	1.0000:1
Attributable to unit holders:		
Equity	**P54,877,373**	P55,330,225
Total assets	**55,536,710**	55,502,200
Equity ratio	**0.9881:1**	0.9969:1

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

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

The following information on taxes, duties and license fees paid or accrued during the 2022 taxable period is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Taxes and licenses

Details of taxes and licenses and permit fees paid or accrued in 2022 are as follows:

Charged to operating expenses	
Filing and registration fees	**P40,343**
Business permits	**17,124**
Residence or community tax	**1,700**
	P59,167

Withholding taxes

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

	Paid	Accrued	Total
Expanded withholding taxes	**P86,826**	**P10,426**	**P97,252**

Deficiency tax assessments

The Company has no tax assessments and tax cases in 2022.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were reviewed and endorsed by the Audit and Compliance Committee for the approval of the Board of Directors on March 8, 2023.

The Board of Directors approved the issuance of the financial statements also on March 8, 2023.

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