COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

PRU LIFE INSURANCE CORPORATION
OF U.K. (A Wholly-owned
Subsidiary of Prudential
Corporation Holdings Limited)

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

9/F Uptown Place Tower 1
1 East 11th Drive, Uptown
Bonifacio, Taguig City 1634
Metro Manila, Philippines

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
contact.us@prulifeuk.com.ph	(02) 887-5433	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	June 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dante Marasigan	Dante.Marasigan@prulifeuk.com.ph	(632) 8683-9203	(63) 919-086-8337

CONTACT PERSON's ADDRESS

9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
Date APR 15 2021
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PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Pru Life Insurance Corporation of U.K. (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of profit or loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

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

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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 32 to the basic separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

April 8, 2021
Makati City, Metro Manila

PRU LIFE U.K.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Pru Life Insurance Corporation of U.K.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

HENRY JOSEPH M. HERRERA
Chairman of the Board

ANTONIO MANUEL G. DE ROSAS
President and Chief Executive Officer

FRANCIS P. ORTEGA
Treasurer, Executive Vice President and Chief Financial Officer

Signed this 8th day of April 2021

Pru Life UK 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Philippines
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1 800 10 PRULINK (1 800 10 7785465) domestic toll-free; E-mail: contact.us@prulifeuk.com.ph
www.prulifeuk.com.ph
Part of Prudential plc (United Kingdom)

Securities and Exchange Commission
Electronic Records Management Division
MAY 03 2021
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PRU LIFE INSURANCE CORPORATION OF U.K.
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2020	2019
ASSETS			
Cash and cash equivalents	*5, 7, 30*	**P3,323,183**	P2,689,908
Interest receivable	*5, 30*	**122,160**	124,710
Investments	*5, 6, 8, 30*	**13,711,696**	10,664,310
Investment in subsidiary	*9, 30*	**360,248**	281,650
Premiums due from policyholders	*5, 30*	**12,271**	15,449
Policy loans receivables - net	*5, 10, 30*	**371,605**	370,089
Coverage debt receivables - net	*5, 12, 30*	**837,506**	723,482
Reinsurance assets	*5, 30*	**73,295**	57,221
Property and equipment - net	*13, 30*	**454,494**	538,399
Right-of-use assets - net	*27, 30*	**711,814**	884,089
Deferred acquisition costs	*5, 14, 30*	**10,408,686**	8,948,805
Other assets - net	*15, 30*	**1,679,981**	1,281,821
Total General Assets		**32,066,939**	26,579,933
Assets Held to Cover Linked Liabilities	*11, 30*	**96,358,915**	89,868,377
		P128,425,854	P116,448,310
LIABILITIES AND EQUITY			
General Liabilities			
Legal policy reserves	*5, 16, 30*	**P6,390,632**	P5,354,876
Claims payable	*5, 17, 30*	**609,885**	604,483
Reinsurance payable	*5, 18, 30*	**101,009**	126,206
Deferred tax liabilities - net	*25, 30*	**2,628,874**	2,696,638
Accounts payable, accrued expenses and other liabilities	*19, 30*	**6,663,363**	4,544,024
Lease liabilities	*5, 27, 30*	**797,714**	934,882
Total General Liabilities		**17,191,477**	14,261,109
Technical Provisions for Linked Liabilities	*5, 11*	**96,358,915**	89,868,377
Total Liabilities		**113,550,392**	104,129,486
Equity			
Capital stock	*28*	**500,000**	500,000
Additional paid-in capital	*28*	**462,000**	462,000
Total paid-up capital		**962,000**	962,000
Contributed surplus		**50,386**	50,386
Fair value reserve	*8*	**3,471**	4,471
Share in other comprehensive income of the subsidiary	*9*	**-**	555
Retirement fund reserve		**17,514**	14,502
Remeasurement on life insurance reserve		**(1,371,972)**	(656,795)
Retained earnings	*28*	**15,214,063**	11,943,705
Total Equity		**14,875,462**	12,318,824
Total General Liabilities and Equity		**32,066,939**	26,579,933
		P128,425,854	P116,448,310

See Notes to the Separate Financial Statements.

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LARGE TAXPAYERS SERVICE DIVISION
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PRU LIFE INSURANCE CORPORATION OF U.K.
SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS
(Amounts in Thousands)

		Years Ended December 31	
	Note	2020	2019
NET PREMIUMS			
Premiums	20	P31,386,856	P27,368,995
Premiums ceded to reinsurers	18, 20	(404,668)	(403,869)
		30,982,188	26,965,126
OTHER REVENUE			
Policy administration fees	21	1,746,783	1,844,666
Investment gain - net	22	1,003,777	1,707,662
Share in loss of the subsidiary	9	-	(60,708)
Others - net		147,027	45,810
		2,897,587	3,537,430
BENEFITS AND CLAIMS			
Costs on premiums of variable insurance	11	12,924,382	5,571,893
Gross benefits and claims	23	5,923,412	11,212,686
Gross change in legal policy reserves	16, 23	14,075	(381,508)
Reinsurer's share of gross benefits and claims	23	(124,216)	(64,369)
		18,737,653	16,338,702
OPERATING EXPENSES			
Commissions, bonuses and other agents' expenses		5,799,288	5,074,211
Salaries, allowances and employees' benefits	24, 26	1,573,051	1,424,380
Trainings, seminars and contests		801,647	926,673
Utilities		600,914	420,154
Depreciation and amortization	13, 27	489,479	475,414
Advertising and marketing		306,473	275,199
Insurance taxes, licenses and fees		222,137	169,003
Communications		169,099	149,662
Professional fees		167,579	149,931
Dividends to policyholders		138,635	132,070
Taxes and licenses		75,644	83,537
Security and janitorial services		68,054	73,733
Interest expense related to lease liabilities	27	66,282	74,641
Office supplies		57,788	131,797
Interest expense related to policies		44,553	43,720
Rent	27	41,908	71,785
Amortization of software development costs	15	41,528	43,140
Representation and entertainment		20,499	95,165
Deferred expenses - net	14	(1,459,881)	(1,297,210)
Others		378,256	114,205
		9,602,933	8,631,210

Forward

		Years Ended December 31	
	Note	2020	2019
INCOME BEFORE INCOME TAX EXPENSE		**P5,539,189**	P5,532,644
INCOME TAX EXPENSE	*25*	**1,268,831**	594,343
NET INCOME		**4,270,358**	4,938,301
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss			
Net (loss) gain on fair value changes of available-for-sale financial assets	*8*	**(1,000)**	1,700
Share in other comprehensive income of the subsidiary	*9*	**(555)**	555
Items that will not be reclassified to profit or loss			
Remeasurement on life insurance reserve	*16*	**(1,021,681)**	(402,279)
Remeasurement gain (loss) on retirement liability	*24*	**4,303**	(23,185)
Income tax effect	*25*	**305,213**	6,956
		(713,720)	(416,253)
TOTAL COMPREHENSIVE INCOME		**P3,556,638**	P4,522,048

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Thousands)

	Note	Capital Stock (Note 28)	Additional Paid-in Capital (Note 28)	Contributed Surplus	Fair Value Reserve (Note 8)	Share in Other Comprehensive Income of the Subsidiary (Note 9)	Retirement Fund Reserve	Remeasurement on Life Insurance Reserve	Retained Earnings Appropriated (Note 16)	Retained Earnings Unappropriated (Note 28)	Total	Total Equity
Balance at January 1, 2020		P500,000	P462,000	P50,386	P4,471	P555	P14,502	(P656,795)	P58,754	P11,884,951	P11,943,705	P12,318,824
Total Comprehensive Income												
Net income		-	-	-	-	-	-	-	-	4,270,358	4,270,358	4,270,358
Other comprehensive income (loss):												
Items that may be reclassified to profit or loss	8, 9	-	-	-	(1,000)	(555)	-	-	-	-	-	(1,555)
Items that will not be reclassified to profit or loss		-	-	-	-	-	3,012	(715,177)	-	-	-	(712,165)
Total comprehensive income		-	-	-	(1,000)	(555)	3,012	(715,177)	-	4,270,358	4,270,358	3,556,638
Transaction with Owner of the Company												
Dividends	28	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	(1,000,000)
Appropriation of reserves		-	-	-	-	-	-	-	2,068	(2,068)	-	-
Balance at December 31, 2020		P500,000	P462,000	P50,386	P3,471	P -	P17,514	(P1,371,972)	P60,822	P15,153,241	P15,214,063	P14,875,462
Balance at January 1, 2019		P500,000	P462,000	P50,386	P2,771	P -	P30,731	(P254,516)	P44,060	P9,137,815	P9,181,875	P9,973,247
Total Comprehensive Income												
Net income		-	-	-	-	-	-	-	-	4,938,301	4,938,301	4,938,301
Other comprehensive income (loss):												
Items that may be reclassified to profit or loss	8, 9	-	-	-	1,700	555	-	-	-	-	-	2,255
Items that will not be reclassified to profit or loss		-	-	-	-	-	(16,229)	(402,279)	-	-	-	(418,508)
Total comprehensive income		-	-	-	1,700	555	(16,229)	(402,279)	-	4,938,301	4,938,301	4,522,048
Transaction with Owner of the Company												
Dividends	28	-	-	-	-	-	-	-	-	(2,176,471)	(2,176,471)	(2,176,471)
Appropriation of reserves		-	-	-	-	-	-	-	14,694	(14,694)	-	-
Balance at December 31, 2019		P500,000	P462,000	P50,386	P4,471	P555	P14,502	(P656,795)	P58,754	P11,884,951	P11,943,705	P12,318,824

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		**P5,539,189**	P5,532,644
Adjustments for:			
Amortization of deferred acquisition costs	*14*	**1,138,675**	1,003,654
Depreciation and amortization	*13, 27*	**489,479**	475,414
Provision for impairment losses	*10, 12, 15*	**147,941**	61,885
Interest expense related to lease liabilities	*27*	**66,282**	74,641
Interest expense related to policies		**44,553**	43,720
Amortization of software development costs	*15*	**41,528**	43,140
Foreign exchange loss		**30,365**	29,854
Share in loss of the subsidiary	*9*	**-**	60,708
Loss (gain) on disposal of property and equipment		**(101)**	76
Reversal of provision for impairment losses	*10, 15*	**(11,799)**	(7,616)
Gain on disposal of investments	*8, 22*	**(21,950)**	(17,560)
Interest income	*22*	**(553,083)**	(549,727)
Unrealized gain on valuation of investments	*8, 22*	**(855,951)**	(1,588,222)
		6,055,128	5,162,611
Changes in:			
Accounts payable, accrued expenses and other liabilities		**1,633,900**	788,960
Claims payable		**5,402**	106,045
Reinsurance payable		**(25,197)**	27,986
Policy loans receivables		**(3,144)**	9,840
Premiums due from policyholders		**3,178**	(568)
Reinsurance assets		**(16,074)**	(29,868)
Other assets		**(377,586)**	(232,876)
Coverage debt receivables		**(247,094)**	(346,794)
Legal policy reserves	*16, 23*	**14,075**	(381,508)
Deferred acquisition costs		**(2,598,556)**	(2,300,864)
		4,444,032	2,802,964
Interest paid		**(43,729)**	(42,371)
Contributions to retirement fund	*24*	**(95,226)**	(89,124)
Income tax paid		**(442,404)**	(6,956)
Net cash provided by operating activities		**3,862,673**	2,664,513

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
APR 15 2021
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	Note	2020	2019
		Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments	8	**P1,634,975**	P2,849,903
Interest received		**555,633**	549,913
Proceeds from disposal of property and equipment	13	**1,210**	1,878
Acquisitions of software costs	15	**(63,546)**	(42,191)
Investment in subsidiary		**(79,153)**	-
Acquisitions of property and equipment	13	**(152,347)**	(221,306)
Acquisitions of investments	8	**(3,835,825)**	(2,648,487)
Net cash (used in) provided by investing activities		**(1,939,053)**	489,710
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	28	**(1,000,000)**	(2,176,471)
Payment of lease liabilities	27	**(290,345)**	(256,077)
Cash used in financing activities		**(1,290,345)**	(2,432,548)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**633,275**	721,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,689,908**	1,976,604
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**-**	(8,371)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5, 7, 30	**P3,323,183**	P2,689,908

See Notes to the Separate Financial Statements.

1. Reporting Entity

Pru Life Insurance Corporation of U.K. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 17, 1996, primarily to engage in the business of life insurance. The Company started commercial operations in September 1996. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable unit-linked insurance, a life insurance product which is linked to investment funds.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited (Prudential). The Company's ultimate parent company is Prudential plc, an internationally-diversified organization providing life insurance and fund management services worldwide. Prudential plc was incorporated in United Kingdom and has primary listing on the London Stock Exchange and secondary listings on Hong Kong, New York and Singapore stock exchanges.

The Company has a Certificate of Authority No. 2019/69-R issued by the IC to transact in life insurance business until December 31, 2021.

The Company's registered address is at the 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Metro Manila, Philippines.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The Company elected not to prepare a consolidated financial statements since Prudential plc, the ultimate parent company, prepares consolidated financial statements that comply with IFRSs.

The separate financial statements were authorized for issue by the Board of Directors (BOD) on April 8, 2021.

Details of the Company's accounting policies are included in Note 3.

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

Items	Measurement bases
Financial instruments at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Investments in Agents' Savings Fund (ASF)	Fair value
Investments in treasury notes, shares of stocks, and other funds under "Assets held to cover linked liabilities"	Fair value
Legal policy reserves	Gross Premium Valuation and Unearned Premiums for traditional contracts; Unearned Cost of Insurance Charges for unit-linked contracts
Retirement liability	Present value of the defined benefit obligation (DBO) less the fair value of the plan assets (FVPA)
Lease liabilities	Present value of the lease payments not yet paid discounted using the Company's incremental borrowing rate

Functional and Presentation Currency
The separate financial statements of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information has been rounded off to the nearest thousands (P'000s), unless otherwise indicated.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as discussed below.

Adoption of Amendments to Standards and Framework
The Company has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and framework did not have any significant impact on the Company's separate financial statements.

- Amendments to References to Conceptual Framework in PFRSs set out amendments to PFRSs, their accompanying documents and PFRSs practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

    - a new chapter on measurement;

    - guidance on reporting financial performance;

    - improved definitions of an asset and a liability, and guidance supporting these definitions; and

- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRSs practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of Material (Amendments to PAS 1 *Presentation of Financial Statements and PAS 8 Accounting Policies, Change in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRSs and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 7, *Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - The highly probable requirement. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- Prospective assessments. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- PAS 39 retrospective assessment. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

- Separately identifiable risk components. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

- Extension of the Temporary Exemption from Applying PFRS 9 (Amendments to PFRS 4 *Insurance Contracts*). The amendments extend the expiry date for the temporary exemption from PFRS 9 to annual periods beginning on or after January 1, 2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of PFRS 17 *Insurance Contracts* which was deferred to annual periods on or after January 1, 2023.

The Company has selected to apply the deferral approach as allowed by this amendment, effectively deferring application of PFRS 9 (2014) to periods beyond January 2023, since the Company was able to meet the following criteria:

- it has not previously applied any version of PFRS 9; and,

- its activities are predominantly connected with insurance as of December 31, 2015, the Company's latest annual reporting date immediately preceding April 1, 2016, and no reassessment is required as the activities of the Company did not change at subsequent dates after initial assessment and before the effective date of PFRS 9.

Based on management's assessment, liabilities arising from insurance contracts represents over 90% of the total carrying amount of all the Company's total liabilities.

These liabilities include legal policy reserves, claims payable, reinsurance payable, deferred tax liabilities - net, premium suspense account, premium deposit fund, commission payable, unit-linked interfund account, and technical provision for linked liabilities.

Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

The Company has adopted the below PFRS effective June 1, 2020 and accordingly changed its accounting policy:

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

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

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

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

<u>Insurance Contracts</u>

Product Classification

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

Investment contracts are those contracts that transfer significant financial risk but can also transfer insignificant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract.

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

Insurance and investment contracts are further classified as being with and without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and
- contractually based on the following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized or an unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends to policyholders" account in profit or loss with the corresponding liability recognized under dividends payable to policyholders account which is included in "Accounts payable, accrued expenses and other liabilities" account in the separate statement of financial position.

Conventional Long-term Insurance Contracts
These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Benefits are recognized as an expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized under "Legal policy reserves" for policies that are in-force as of each reporting date. Using gross premium valuation (GPV), the liability is determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums arising from the policy discounted at appropriate risk-free discount rate. For this purpose, the expected future cash flows were determined using the best estimate assumptions with appropriate margin for adverse deviation from the expected experience. The liability is based on assumptions as to mortality, morbidity, lapse or persistency, non-guarantee benefits, and expenses. The present value of liabilities is determined using the discount rate approved by the IC with appropriate margin for adverse deviation.

Unit-linked Insurance Contracts
A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The investment funds supporting the linked policies are maintained in segregated accounts in conformity with Philippine laws and regulations. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets, while the non-unit reserves for unit-linked insurance contracts are calculated as the unearned cost of insurance charges.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration fees.

Management assessed that the insurance contracts have no derivative components.

As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

Legal Policy Reserves
Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the amended Insurance Code of the Philippines (Insurance Code) and represent the amounts which are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Any movement in legal policy reserves of traditional life insurance policies arising from current period assumptions or changes in assumptions other than discount rate during the year are recognized under "Gross change in legal policy reserves" in profit or loss. While, net movement arising from changes in discount rate during the year are recognized directly in other comprehensive income as "Remeasurement on life insurance reserve".

Liability Adequacy Tests
At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognized under "Gross change in legal policy reserves" in profit or loss.

Reinsurance Contracts Held
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts above are classified as reinsurance contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The benefits to which the Company is entitled to under its reinsurance contracts held are recognized as reinsurance assets. These include short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as expense when due.

If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance receivable and recognizes the impairment loss in profit or loss.

Receivables and Payables Related to Insurance Contracts
Receivables and payables are recognized when due. These include amounts due to and from policyholders and amounts due to agents and brokers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

Investment in Subsidiary

A subsidiary is an entity controlled by the parent company. The parent company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary is included in the consolidated financial statements from the date on which the control commences except if the following conditions are met:

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;

- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and

- its ultimate or any intermediate parent produces financial statements that are available for public use and comply with PFRS 10, *Consolidated Financial Statements,* in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this PFRS 10.

The Company met the aforementioned criteria, thus, did not present a consolidated financial statements.

Prior to 2020, the Company's investment in a subsidiary was accounted for using the equity method, under which, the investment is initially recognized at cost in the separate statement of financial position. The carrying amount of investment is increased or decreased to recognize the Company's share of the subsidiary's profit or loss after the date of the acquisition. The Company's share of the subsidiary's profit or loss is recognized under "Share in the profit or loss of the subsidiary" account in the profit or loss. Distributions received from the subsidiary reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment in subsidiary may also arise from changes in the Company's proportionate interest in the subsidiary arising from changes in the subsidiary's other comprehensive income and recognized under "Share in other comprehensive income of the subsidiary" account.

In 2020, the Company changed its accounting policy for investment in subsidiary from the equity method to the cost method, in accordance with PAS 27 *Consolidated and Separate Financial Statements*. Under the cost method, the investment is initially recognized at cost in the separate statement of financial position. Subsequently, these are carried in the separate statement of financial position at cost less any accumulated impairment losses. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary arising after the date of acquisition.

The Company did not apply a retrospective application of the change in accounting policy because the effect of the retrospective application is immaterial to the financial statements. The cumulative prior period impact of the change in accounting policy recognized in 2020 amounted to P78.60 million and presented under "Others - net" in the Company's profit & loss.

Financial Instruments

Derivative Financial Assets

Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value. A derivative is reported as an asset when fair value is positive and as a liability when fair value is negative.

The Company's derivative financial asset consists of nondeliverable forward contracts under "Assets Held to Cover Linked Liabilities" account.

Non-derivative Financial Assets

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

Initial Recognition. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2020 and 2019, the Company has no financial assets classified as HTM investments.

Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and nonfinancial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair value is categorized in different levels in a fair value hierarchy based on the inputs used in the valuation technique (see Note 6).

Financial Instruments at FVPL. This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial instruments at FVPL are recorded in the separate statement of financial position at fair value. The change in fair value of the Company's held-for-trading investments portfolio under "Investments" and investments in ASF under "Other assets" are recognized in unrealized gain on valuation of investments under "Investment gain" and Others - net in profit or loss, respectively.

These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or

- these are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or, it is clear, with little or no analysis, that it would not be bifurcated.

Held-for-trading securities are not reclassified subsequent to their initial recognition, unless they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Company has the intention and the ability to hold the financial asset in the foreseeable future or until maturity; and

- the financial asset may be reclassified out of the held-for-trading securities category only under "rare circumstances".

As at December 31, 2020 and 2019, the Company does not have any financial asset designated by management as financial instruments at FVPL. However, the Company's held-for-trading investments portfolio are presented below.

	Note	2020	2019
Investments	*8, 30*	**P13,711,696**	P10,664,310
Assets held to cover linked liabilities	*6, 11*	**133,317,942**	125,597,120
Other assets - net	*6*	**336,966**	-
		P147,366,604	P136,261,430

As at December 31, 2020 and 2019, the Company's held-for-trading securities include government, quasi-government, corporate debt, equity securities, derivative financial instruments and unit investment trust funds.

The Company's technical provisions for linked liabilities classified as financial liabilities at FVPL amounted to P96.36 billion and P89.87 billion as at December 31, 2020 and 2019, respectively (see Note 11).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as part of "Others - net" in profit or loss.

As at December 31, 2020 and 2019, the Company's cash and cash equivalents, premiums due from policyholders, policy loans receivables, coverage debt receivables, interest receivable, reinsurance assets, and other assets such as receivable from unit linked fund, advances to employees and agents, and due from related parties are classified under this category. Cash and cash equivalents, interest receivable, receivable from life fund, and other assets such as trade receivables under "Assets held to cover linked liabilities" are also classified under this category.

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

AFS Financial Assets. AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss and foreign currency differences on AFS equity securities, are recognized in other comprehensive income and presented as "Fair value reserve". The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2020 and 2019, the Company's AFS financial assets amounted to P29.06 million and P17.06 million, respectively, and primarily composed of equity securities (see Note 8).

Other Financial Liabilities. Issued financial instruments or their component, which are not classified as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of "Interest expense related to policies" in profit or loss.

This category includes the Company's claims payable, reinsurance payable, and accounts payable, accrued expenses and other liabilities such as dividends payable to policyholders, accrued expenses, due to unit-linked funds, due to related parties, agent's commission payable, provident fund payable and other liabilities (excluding liabilities to government agencies), and lease liabilities. This category also includes liability to life and other linked funds, accrued expense, and trade payable (excluding liabilities to government agencies) under assets held to cover linked liabilities.

Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Loans and Receivables. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original effective interest rate. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

AFS Financial Assets Carried at Fair Value. In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements; thus, the related assets and liabilities are presented on a gross basis in the separate statement of financial position.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

Derecognition of Financial Assets and Liabilities
Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Property and Equipment
Property and equipment are measured at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense when incurred.

Items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Leasehold improvements are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Estimated useful lives are as follows:

	Number of Years
Computer equipment	3 - 5
Furniture, fixtures and equipment	5
Transportation equipment	5
Condominium unit	25
Leasehold improvements	3 - 5 or term of lease, whichever is shorter

The residual value, useful lives, and depreciation and amortization methods for items of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Office improvement in progress relates to the progress billings of unfinished projects. Such projects include renovations, various installations and system upgrades. When a certain project is finished, the account is credited and capitalized to the appropriate asset account.

No depreciation is recognized for office improvement in progress account because it is not yet available for use by the Company.

Software Development Costs
Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset. All other costs of developing and maintaining computer software are recognized as expense when incurred. Software development costs are recognized under "Other assets" (see Note 15).

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use, not to exceed five (5) years.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount.

An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Deferred Acquisition Costs

Direct and indirect costs incurred to sell, underwrite and initiate new unit-linked insurance contracts are deferred to the extent that these costs are recoverable out of profit margins of future premiums from these new insurance contracts.

Subsequent to initial recognition, deferred acquisition costs are amortized on a straight-line basis over the period over which significant amount of profit margins from future premiums are expected to be recoverable. Changes in the pattern of future economic benefits for the deferred acquisition costs are accounted for by changing the amortization period and are treated as change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognized when the related contracts are either pre-terminated or have matured before the end of amortization period.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  - the Company has the right to operate the asset; or

  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measure using the index rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes is assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use assets - net" and the corresponding liability in "Lease liabilities" in the separate statement of financial position (see Note 27).

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and parking space that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related Rent Concessions
The Company applies practical expedient related to COVID-19-Related Concessions allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company determines whether there is a lease modification.

Equity
Capital Stock
Capital stock is composed of common shares, determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital (APIC)
APIC pertains to the amount that the Company received in excess of the par value of capital stock.

Contributed Surplus
Contributed surplus represents additional contribution of shareholders as provided under the Insurance Code.

Fair Value Reserve
Fair value reserve pertains to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

Retirement Fund Reserve
This pertains to the cumulative amount of remeasurement of the retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the plan assets.

Remeasurement on Life Insurance Reserve
This represents the increase or decrease of the reserves brought by changes in discount rates.

Retained Earnings
Retained earnings are classified as unappropriated and appropriated. Unappropriated retained earnings represent profit attributable to the equity holders of the Company and reduced by dividends. It may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Appropriated retained earnings pertain to the aggregate amount of negative reserves on a per policy basis as a result of GPV prescribed by the IC.

Revenue Recognition
The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15 *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

Premiums
Premiums arising from insurance contracts are recognized as income on the effective date of the insurance policies for the first-year premiums. For the succeeding premiums, gross earned recurring premiums on life insurance contracts are recognized as revenue when these become due from the policyholders.

The investment component received from the unit-linked insurance contracts is shown as part of premiums.

Premiums ceded to reinsurers on traditional and variable contracts are recognized as an expense when the policy becomes effective. This is presented net of experience refund received from reinsurers.

Policy Administration Fees
Policy administration fees are recognized as revenue in profit or loss when these become due from the policyholder. Receivable portion of policy administration fees forms part of receivable from unit linked fund under "Other assets - net" account in the separate statement of financial position.

Investment Gain or Loss
Investment gain or loss consists of fair value changes of financial assets at FVPL, interest income from all interest-bearing investments and gain or loss on disposal of investments. Investment income which is net of investment management fees, is presented net of final tax.

Interest income for all interest-bearing financial instruments, including financial assets measured at FVPL, is recognized in profit or loss using the effective interest method.

Determining whether the Company is Acting as Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services; and

- whether the Company has discretion in establishing prices.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

Benefits, Claims and Expenses Recognition
Cost on Premiums of Variable Insurance
Cost on premiums of variable insurance represents the investment component of the unit-linked insurance contracts portion, net of withdrawals. Cost on premiums of variable insurance are recognized consequently as premiums are earned which is on the effective date of the insurance policy for first year premiums and when premiums become due for succeeding premiums.

Benefits and Claims
Claims consist of benefits and claims paid to policyholders, which include, among others, excess gross benefit claims for unit-linked insurance contract, and movement of incurred but not reported (IBNR) claims and movement of legal policy reserves. Death claims, surrenders and withdrawals are recorded on the basis of notifications received. Maturities are recorded when due. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Reinsurer's share of gross benefits and claims are accounted for in the same period as the underlying claim.

Operating Expenses
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Employee Benefits
Retirement Benefits
The Company maintains a defined contribution (DC) plan with minimum defined benefit (DB) guarantee that covers all regular full-time employees. Under its retirement plan, the Company pays fixed contributions based on the employees' monthly salaries, however, the retirement plan also provides for its qualified employees a DB minimum guarantee which is equivalent to a certain percentage of the final monthly salary payable to an employee for each year of credited service based on the provisions of the Company's retirement plan.

Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC Plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense or income on the net DB liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxes
Current tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates prevailing at reporting date.

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingencies

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

Related Parties

Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

New Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following new or revised and amended standards in preparing these separate financial statements. The Company is currently assessing the potential impact of these on its separate financial statements.

The Company will adopt the new standards and amendments to standards in the respective effective dates:

To be Adopted January 1, 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is place. The reliefs allow companies not to recognize significant gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining he contractual cash flows, then a company first applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how to transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments retrospectively, but restatement of comparative information is not yet required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

To be Adopted January 1, 2022

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

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

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments these standards that are relevant to the Company:

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

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

To be Adopted January 1, 2023

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

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of a reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

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

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 above.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:

  - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

  - *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

    If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- PFRS 17 Insurance Contracts replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

(b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

(c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 on or before the date of initial application of PFRS 17.

4. Use of Judgments and Estimates

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

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

Judgments

(a) *Determining the Lease Term of Contracts with Renewal and Termination Options - the Company as Lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

The Company included the renewal period as part of the lease term after securing a certification from Mega World Corporation that the Company has an option to renew for another term of 5 years on its current long-term lease contract (see Note 27).

(b) *Impairment of Financial Assets*

Investments at Fair Value
The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2020 and 2019, the Company has not recognized any impairment loss on its investments.

Receivables
The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2020 and 2019, the Company has recognized allowance for impairment loss amounting to P373.09 million and P236.95 million (see Notes 10, 12 and 15), respectively.

(c) Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statement of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2020 and 2019, the Company classified its financial instruments as financial instruments at FVPL, AFS financial assets, loans and receivables, and other financial liabilities.

Estimates

(a) Leases - Estimating the Incremental Borrowing Rate

The Company uses its incremental borrowing rate as the discount rate in measuring its lease liability. As the Company's financial obligations are guaranteed by its Parent Company, the Company considers its Parent Company's incremental borrowing rate which reflects the underlying interest rate for the currency in which the lease is denominated. The incremental borrowing rate used is the sum of the reference rate and a credit spread for senior unsecured debt.

(b) Liabilities Arising from Claims Made under Insurance Contracts

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each individual policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to P130.92 million and P148.31 million as at December 31, 2020 and 2019, respectively (see Note 17).

(c) Legal Policy Reserves

At inception of the contract, the Company determines assumptions in relation to mortality, morbidity, persistency, investment returns and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commissions plus other incentives. A margin for risk and uncertainty is added to these assumptions. In every reporting period, the Company ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2020 and 2019 computed under the requirements of PFRS 4, amounted to cash inflows of P43.22 billion and P38.36 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to P6.39 billion and P5.35 billion as at December 31, 2020 and 2019, respectively (see Note 16), is adequate using best estimate assumptions.

(d) *Fair Value Estimation*

The fair value of financial instruments traded in active markets (such as financial assets at FVPL and AFS financial assets) is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2020 and 2019, the Company's financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

(e) *Estimating Useful Lives of Property and Equipment and Software Development Costs*

The Company estimates useful lives of property and equipment and software development costs based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment, and software development costs.

As at December 31, 2020 and 2019, the carrying amounts of property and equipment and software development costs amounted to P653.74 million and P715.63 million, respectively (see Notes 13 and 15).

(f) *Estimating Amortization Period of Deferred Acquisition Costs*

The amortization period of deferred acquisition costs depends on the period over which the acquisition costs will be recovered through the future profits of the insurance contracts. Deferred acquisition costs of unit linked single premium are amortized over 10 years while unit linked regular premium are amortized over 15 years. The recoverability of the deferred acquisition costs is reviewed annually to ensure that the period of amortization is consistent with the profit pattern of the products and that the deferred acquisition costs are recoverable against the present value of future profits over the entire amortization period.

As at December 31, 2020 and 2019, the carrying amount of deferred acquisition costs amounted to P10.41 billion and P8.95 billion, respectively (see Note 14).

(g) Estimating Impairment of Financial Assets

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the receivables when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at December 31, 2020 and 2019, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to P1.36 billion and P1.24 billion, respectively. Provisions for impairment losses amounted to P147.94 million and P61.89 million in 2020 and 2019, respectively (see Notes 10, 12 and 15).

(h) Estimating Retirement and Other Employee Benefits

The determination of DB obligation relating to minimum guarantee and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, mortality rates and future salary increase rate. Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at the separate statement of financial position date.

As at December 31, 2020 and 2019, the Company's net retirement liability amounted to P8.42 million and P19.31 million, respectively (see Note 24).

(i) Estimating Realizability of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount 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. Any deferred tax asset will be remeasured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2020 and 2019, the Company recognized deferred tax assets amounting to P507.02 million and nil, respectively. However, unrecognized deferred tax assets amounted to P966.17 million and P970.84 million as at December 31, 2020 and 2019, respectively (see Note 25).

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

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established a risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

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

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable level of risks.

The operations of the Company are subject to regulatory requirements of the IC. The IC does not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions, fixed capitalization requirements, and risk-based capital (RBC) requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Capital Management

The Company's capital includes capital stock, APIC, contributed surplus and retained earnings.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is always higher than the minimum capital requirement set by the IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on surplus of new businesses, profitability of in-force business and other major corporate initiatives that will affect capitalization requirements.

There were no changes made to the Company's capital base, objectives, policies and processes from previous year.

Networth Requirements

Under Section 194 of the Insurance Code, insurance company doing business in the Philippines shall have a networth of P250.00 million by June 30, 2013. Furthermore, said company must have an additional P300.00 million in networth by December 31, 2016; an additional P350.00 million in networth by December 31, 2019; and an additional P400.00 million in networth by December 31, 2022.

As at December 31, 2020 and 2019, the Company has complied with the minimum networth requirements.

RBC Requirements
The IC issued Circular Letter (CL) 2016-68, the Amended RBC2 Framework, effective January 1, 2017. This framework provides for the amended formula in computing for the RBC Ratio, which is calculated, by dividing Total Available Capital (TAC) by the RBC requirement. The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Trend test has failed in the event that all have occurred:

- the RBC ratio computed for the period (i.e. first quarter) is less than 125% but is not below 100%;
- the RBC ratio has decreased over the past period; and
- the difference between RBC ratio so computed and the decrease in the RBC ratio over the past period is less than 100%.

On December 28, 2016, the IC released CL No. 2016-69 which provides, among other things, that the level of sufficiency for the RBC2 Framework should be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC2 Framework was made effective January 1, 2017.

The following table shows the RBC ratio of the Company as at December 31, 2020 and 2019, using the RBC2 Framework:

	2020	2019
TAC	**P14,680,455**	P5,570,487
RBC requirement	**732,819**	752,332
RBC ratio	**2,021%**	740%

The figures above are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to determination of admitted and non-admitted assets as defined under the Insurance Code. As at December 31, 2020 and 2019, the Company has complied with the minimum RBC ratio of 100%.

The estimated non-admitted assets as defined in the Insurance Code are included in the separate statement of financial position. These assets, which are subject to final determination by the IC, are as follows:

	Note	**2020**	2019
Deferred acquisition costs	*14, 30*	**P10,408,686**	P8,948,805
Property and equipment - net		**374,661**	454,701
Other assets		**658,333**	899,899
		P11,441,680	P10,303,405

Insurance Risk
The Company issues contracts that transfer insurance risk. This section summarizes the risks and the way the Company manages them.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risks that the Company is exposed to are as follows:

- *Mortality Risk* - risk of loss due to policyholder death experience being different from expected.
- *Morbidity Risk* - risk of loss due to policyholder health and disability experience being different from expected.

The Company manages these risks through its underwriting strategy and reinsurance agreements. The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. The retention limit of the Company varies per product type.

For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Concentration of Insurance Risk
The table below sets out the concentration of legal policy reserves by type of life insurance contract (in thousands):

	Note	**2020**	2019
Whole and term life		**P4,750,413**	P3,719,087
Endowment		**938,394**	1,009,695
Term		**(42,559)**	(43,745)
Accident		**20,886**	19,582
Group		**31,107**	15,884
Variable		**430,272**	385,371
Riders and other products		**262,119**	249,002
	16, 30	**P6,390,632**	P5,354,876

Classification by Attained Age

The table below presents the concentration of legal policy reserves by attained age as at December 31, 2020 and 2019. For individual insurance, exposure is concentrated on age brackets of 55 - 59 in 2020 and 2019.

	2020 Individual		2019 Individual	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	P241,659	3.80%	P244,526	4.58%
20 - 24	214,333	3.37%	161,238	3.02%
25 - 29	229,755	3.61%	187,933	3.52%
30 - 34	272,120	4.28%	214,627	4.02%
35 - 39	285,489	4.49%	258,407	4.84%
40 - 44	563,676	8.86%	538,170	10.08%
45 - 49	867,230	13.64%	730,908	13.69%
50 - 54	921,186	14.49%	760,272	14.24%
55 - 59	968,324	15.23%	825,942	15.47%
60 - 64	820,362	12.90%	646,018	12.10%
65 - 69	509,613	8.01%	408,433	7.65%
70 - 74	317,511	4.99%	245,594	4.60%
75 - 79	101,385	1.59%	84,356	1.58%
80 +	46,882	0.74%	32,568	0.61%
Total	P6,359,525	100.00%	P5,338,992	100.00%

For group insurance, exposure is concentrated on age bracket 35 - 39 in 2020 and 2019.

	2020 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P118	0.38%	P118	0.40%
25 - 29	1,380	4.44%	1,380	4.66%
30 - 34	1,670	5.37%	1,670	5.63%
35 - 39	12,317	39.60%	10,850	36.61%
40 - 44	2,143	6.89%	2,143	7.23%
45 - 49	2,875	9.24%	2,875	9.70%
50 - 54	3,087	9.92%	3,087	10.41%
55 - 59	4,524	14.54%	4,524	15.26%
60 +	2,993	9.62%	2,993	10.10%
Total	P31,107	100%	P29,640	100%

	2019 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P110	0.693%	P111	0.80%
25 - 29	713	4.486%	713	5.15%
30 - 34	701	4.414%	700	5.06%
35 - 39	8,942	56.296%	6,901	49.85%
40 - 44	832	5.235%	832	6.01%
45 - 49	1,130	7.115%	1,128	8.15%
50 - 54	1,035	6.517%	1,035	7.48%
55 - 59	1,378	8.678%	1,379	9.96%
60 +	1,043	6.566%	1,044	7.54%
Total	P15,884	100%	P13,843	P100%

Key Assumptions
The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) *Risk-free Discount Rates* refer to the rates used in determining the value of life insurance liabilities. The value of life insurance liabilities is determined as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate. The risk-free discount rates are based on the Bloomberg Valuation reference rates for peso and international yield curve from Bloomberg, with matching duration.

(b) *Mortality and Morbidity Assumptions*. Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate at which accident or sickness, and recovery therefrom, for a defined group of people. For the purpose of liability valuation, expected future cash flows are determined using best estimate mortality and morbidity assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

(c) *Lapse Assumptions* refer to rates at which a life insurance policy is surrendered or terminated as a result of failure to pay the premium due; avails of the premium holiday option, and avails of partial withdrawals against the insurance policy. For the purpose of liability valuation, expected future cash flows are determined using best estimate lapse assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

(d) *Expense Assumptions* refer to the expected future administrative and maintenance costs related to the issuance and maintenance of a life insurance policy with consideration of inflation. For the purpose of liability valuation, expected future cash flows are determined using best estimate expense assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

Sensitivities
The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2020	2019
	Changes in Assumptions/ Variables	**Impact on Income before Income Tax and Equity Increase (Decrease)**	Impact on Income before Income Tax and Equity Increase (Decrease)
		(Amounts in Millions)	
Mortality and morbidity	+5%	**(P43.84)**	(P38.81)
	-5%	**45.04**	39.26
Interest rate	+ 100 basis points	**304.36**	236.98
	- 100 basis points	**(334.63)**	(263.54)
Expense	+10%	**(113.36)**	(92.49)
	-10%	**98.00**	81.24
Lapse	+10%	**21.12**	(13.51)
	-10%	**(21.61)**	15.53

The method used for deriving sensitivity information and significant assumptions did not change from previous years.

The analysis detailing the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instrument is disclosed in the Currency Risk section.

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management's focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Managers, Eastspring Investments (Singapore) Limited (Eastspring) and Pru Life UK Asset Management and Trust Corporation, who manage the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

For unit-linked contracts, the Company does not retain the price, currency, credit, or interest rate risk for these contracts as contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance.

There has been no change to the Company's exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial Risk

The Company has significant exposure to the following financial risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Company's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

(a) *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments and loans granted to policyholders. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's concentration of credit risk arises from its investments in government securities since the said investments amounted to P61.20 billion (88.95%) and P61.96 billion (90.07%) of the Company's total financial assets as at December 31, 2020 and 2019, respectively (see Notes 8 and 11).

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2020 and 2019 by classifying assets according to the Company's credit grading of counterparties.

		2020				
		Neither Past Due nor Impaired				
	Note	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	*7, 30*	P3,322,268	P -	P3,322,268	P -	P3,322,268
Interest receivable		122,160	-	122,160	-	122,160
Coverage debt receivables	*12, 30*	-	837,506	837,506	357,593	1,195,099
Financial assets at FVPL	*8*	13,682,640	-	13,682,640	-	13,682,640
Premiums due from policyholders	*30*	-	12,271	12,271	-	12,271
Policy loans receivables	*10, 30*	-	371,605	371,605	10,161	381,766
Reinsurance assets	*30*	-	73,295	73,295	-	73,295
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		425,732	689,817	1,115,549	5,335	1,120,884
Assets Held to Cover Linked Liabilities						
Cash and cash equivalents	*11*	1,550,226	-	1,550,226	-	1,550,226
Interest receivable	*11*	261,872	-	261,872	-	261,872
Receivable from life fund	*11*	639,816	-	639,816	-	639,816
Investment in debt securities	*11*	47,906,021	-	47,906,021	-	47,906,021
Other assets	*11*	141,482	-	141,482	-	141,482
		P68,052,217	P1,984,494	P70,036,711	P373,089	P70,409,800

* *Excluding Petty Cash*

		2019				
		Neither Past Due nor Impaired				
	Note	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	7, 30	P2,689,178	P -	P2,689,178	P -	P2,689,178
Interest receivable		124,710	-	124,710	-	124,710
Coverage debt receivables	12, 30	-	723,482	723,482	224,523	948,005
Financial assets at FVPL	8	10,647,249	-	10,647,249		10,647,249
Premiums due from policyholders	30	-	15,449	15,449	-	15,449
Policy loans receivables	10, 30	-	370,089	370,089	8,533	378,622
Reinsurance assets	30	-	57,221	57,221	-	57,221
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		-	491,922	491,922	3,891	495,813
Assets Held to Cover Linked Liabilities						
Cash and cash equivalents	11	1,085,715	-	1,085,715	-	1,085,715
Interest receivable	11	321,498	-	321,498	-	321,498
Receivable from life fund	11	210,758	-	210,758	-	210,758
Investment in debt securities	11	51,682,405	-	51,682,405	-	51,682,405
Other assets	11	138,461	-	138,461	-	138,461
		P66,899,974	P1,658,163	P68,558,137	P236,947	P68,795,084

** Excluding Petty Cash*

The Company has no past due but not impaired financial assets as at December 31, 2020 and 2019.

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High-grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due and Impaired - This pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

In compliance with the Insurance Code, the Company extends loans to its policyholders only up to the cash surrender value of their policy, pursuant to the provisions of the policy contract.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit ratings of the brokers to further mitigate this risk.

A substantial portion of the Company's total investments, including cash in bank, are held by Standard Chartered Bank, a reputable financial institution with high credit rating, under a custodianship agreement.

(b) *Liquidity Risk*
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To effectively manage liquidity risk, the Company ensures that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary costs or risking damage to the Company's reputation. Further, the Company's policy is to maintain sufficient liquidity to meet normal operating requirements.

The tables below summarize the maturity profile of the financial liabilities of the Company based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2020 and 2019:

		2020			
			Contractual Cash Flow		
	Note	Carrying Amount	Within One Year	Beyond One Year	Total
Technical provision for linked liabilities	*11, 30*	P96,358,915	P -	P96,358,915	P96,358,915
Claims payable	*17, 30*	609,885	609,885	-	609,885
Reinsurance payable	*18, 30*	101,009	101,009	-	101,009
Accounts payable, accrued expenses and other liabilities*		5,339,316	5,339,316	-	5,339,316
Lease liabilities	*27, 30*	797,714	209,484	588,230	797,714
Assets Held to Cover Linked Liabilities					
Liability to life fund and other linked funds	*11*	39,149,881	39,149,881	-	39,149,881
Accrued expenses	*11*	152,134	152,134	-	152,134
Trade payable	*11*	250,408	250,408	-	250,408
		P142,759,262	P45,812,117	P96,947,145	P142,759,262

**Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.*

		2019			
			Contractual Cash Flow		
	Note	Carrying Amount	Within One Year	Beyond One Year	Total
Technical provision for linked liabilities	*11, 30*	P89,868,377	P -	P89,868,377	P89,868,377
Claims payable	*17, 30*	604,483	604,483	-	604,483
Reinsurance payable	*18, 30*	126,206	126,206	-	126,206
Accounts payable, accrued expenses and other liabilities*		3,905,774	3,905,774	-	3,905,774
Lease liabilities	*27, 30*	934,882	202,188	732,694	934,882
Assets Held to Cover Linked Liabilities					
Liability to life fund and other linked funds	*11*	37,164,436	37,164,436	-	37,164,436
Accrued expenses	*11*	143,665	143,665	-	143,665
Trade payable	*11*	177,074	177,074	-	177,074
		P132,924,897	P42,323,826	P90,601,071	P132,924,897

**Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.*

(c) Market Risk

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and equity price risk.

The Company's market risk is managed on a daily basis by the Fund manager in accordance with policies and procedures in place. The Company's overall market positions are monitored, at least, on a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Company investment portfolio at the reporting date are disclosed in Notes 8 and 11 to the separate financial statements.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will affect the fair values or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

The Company's main exposure to fluctuations in foreign currency exchange rates arise through the following assets denominated in U.S. dollar:

	2020	2019
Short-term time deposits	$ -	$4,650
Investments	**411,938**	391,050
	411,938	395,700
Foreign exchange rate to the Philippine peso used*	**48.02**	50.64
	P19,781,263	P20,038,248

**Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 29, 2020 and December 28, 2019.*

A 5% (2019: 1%) strengthening of U.S. dollar against Philippine peso as at December 31, 2020, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in U.S. dollar and increased profit before tax and equity by P0.99 billion (2019: P0.20 billion). A 5% (2019: 1%) weakening of the U.S. dollar in relation to the Philippine peso, with all other variables held constant, would have an equal but opposite effect on the Company's profit before tax and equity.

In 2020 and 2019, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in U.S. dollar.

Interest Rate Risk

There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Company's investments is composed mainly of interest-bearing debt instruments carried at fair value. As a result, the Company is subject to exposure to fair value interest rate risk.

The Company does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Fair value interest rate risk is mitigated by the Company's Fund Manager by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Company is invested in short-term time deposits with original terms of three months or less.

The analysis below details the impact of changes in market interest rate (stated in basis points or bps) to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The table below sets out the impact of changes in market interest rate to the fair value of the Company's investments classified as General Assets:

	Changes in	2020		2019	
Currency	Variables	+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso		(P1,807,213)	P2,021,360	(P724,000)	P825,553
U.S. dollar		(607,704)	692,174	(67,867)	80,732
Fair value sensitivity		(P2,414,916)	P2,713,534	(P791,867)	P906,285

The table below presents the impact of changes in market interest rate to the fair value of the Company's investments classified as Assets Held to Cover Linked Liabilities:

	Changes in	2020		2019	
Currency	Variables	+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso		(P993,467)	P1,096,425	(P1,202,253)	P1,335,845
U.S. dollar		(541,096)	612,931	(587,567)	672,185
Fair value sensitivity		(P1,534,563)	P1,709,356	(P1,789,820)	P2,008,030

In 2020 and 2019, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

Equity Price Risk
Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company's equity investments are mainly composed of the investments in equity securities under "Assets Held to Cover Linked Liabilities" amounting to P85.42 billion and P73.92 billion (see Note 11) as at December 31, 2020 and 2019, respectively. However, any fair value changes in these equity investments has corresponding increase or decrease in "Technical Provisions for Linked Liabilities" and will not affect the equity and profit before income tax of the Company. Thus, the Company has insignificant exposure to equity price risk.

Moreover, any fair value changes in these equity investments will affect the net asset value of the investment account of the policyholders which is the basis of the policy administration fees charged to the fund (see Note 21).

Deferral of PFRS 9

The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 with PFRS 4* and has elected to defer the application of PFRS 9 until the Company adopts PFRS 17.

Under the amended PFRS 4, an entity has to prove that its activities are predominantly connected with insurance. This condition is met if the carrying amount and the percentage of its liabilities arising from contracts within the scope of PFRS 4 is significant or greater than 90% relative to the total carrying amount of all its liabilities.

The Company performed the predominance assessment and concluded that it qualified for the temporary exemption from PFRS 9. As at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance amounted to P74.55 billion which represented more than 90% of its total liabilities of P76.82 billion. The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities for the year ended December 31, 2020.

The following table provides an overview of the fair values as at December 31, 2020 and 2019, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the solely payments of principal and interest (SPPI) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

	2020			
	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P3,322,268	P -	P -	P -
Interest receivable	122,160	-	-	-
Financial assets at FVPL	-	-	13,682,640	855,951
AFS financial assets	-	-	29,056	(1,000)
Loans and receivables	1,061,422	-	-	-
Rental and other deposits	128,956	-	-	-
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	1,550,226	-	-	-
Interest receivable	261,872	-	-	-
Receivable from life fund	639,816	-	-	-
Financial assets at FVPL	-	-	133,317,942	(2,107,051)
Other assets	141,482	-	-	-
	P7,228,202	P -	P147,029,638	(P1,252,100)

* *Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*

	2019			
	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P2,689,178	P -	P -	P -
Interest receivable	124,710	-	-	-
Financial assets at FVPL	-	-	10,647,249	1,588,222
AFS financial assets	-	-	17,061	1,700
Loans and receivables	862,011	-	-	-
Rental and other deposits	119,367	-	-	-
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	1,085,715	-	-	-
Interest receivable	321,498	-	-	-
Receivable from life fund	210,758	-	-	-
Financial assets at FVPL	-	-	125,597,120	7,532,934
Other assets	138,461	-	-	-
	P5,551,698	P -	P136,261,430	P9,122,856

** Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2020 and 2019 is consistent with the credit risk disclosure above under PAS 39.

6. Fair Value Measurements and Disclosures

The fair value of the following financial assets and financial liabilities approximate their carrying amounts at the end of each accounting period due to their short-term nature:

- Cash and cash equivalents;
- Interest receivable;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Other assets except for withholding tax receivables, software development costs, investments in ASF, nonrefundable deposits and prepayments;
- Cash and cash equivalents, interest receivable, receivable from life fund and other assets under assets held to cover linked liabilities;
- Claims payable;
- Reinsurance payable;
- Accounts payable, accrued expenses and other liabilities except for liabilities payable to government agencies, premium suspense account, premium deposit fund and retirement liability; and
- Liability to life and other linked funds, accrued expenses, and trade payable under assets held to cover linked liabilities.

The recurring fair values of financial assets at FVPL including those under assets held to cover linked liabilities, AFS financial assets, and technical provisions for linked liabilities are determined by reference to quoted market prices, at the close of business on the reporting date.

Fair Value Hierarchy
The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2020		
	Note	**Level 1**	**Level 2**	**Total**
Financial Assets				
Financial assets at FVPL	*8*	**P13,682,640**	**P -**	**P13,682,640**
AFS financial assets	*8*	**29,056**	**-**	**29,056**
Financial assets at FVPL under other assets		**336,966**	**-**	**336,966**
Financial assets at FVPL under assets held to cover linked liabilities	*11*	**133,324,157**	**(6,215)**	**133,317,942**

		2019		
	Note	Level 1	Level 2	Total
Financial Assets				
Financial assets at FVPL	*8*	P10,647,249	P -	P10,647,249
AFS financial assets	*8*	17,061	-	17,061
Financial assets at FVPL under assets held to cover linked liabilities	*11*	125,597,455	(335)	125,597,120

The Company has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2020 and 2019.

7. Cash and Cash Equivalents

	Note	**2020**	2019
Cash on hand and in banks		**P2,122,329**	P1,350,490
Short-term placements		**1,200,854**	1,339,418
	5, 30	**P3,323,183**	P2,689,908

Short-term placements are Philippine peso and U.S. dollar time deposits with various financial institutions with maturities ranging from overnight to ninety days and interest ranging from 0.05% to 2.90% and 0.80% to 2.30% per annum in 2020 and 2019, respectively.

Interest income recognized in profit or loss which is presented under "Investment gain - net" amounted to P17.48 and P22.75 million in 2020 and 2019, respectively.

8. Investments

Reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below.

		December 31, 2020		
	Note	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2020		P12,590	P10,165,023	P10,177,613
Unrealized gains at January 1, 2020		4,471	482,226	486,697
Fair value at January 1, 2020		17,061	10,647,249	10,664,310
Fair value gain (loss) recognized in:				
Profit or loss	22	-	855,951	855,951
Other comprehensive income		(1,000)	-	(1,000)
Foreign exchange loss	22		(30,365)	(30,365)
Purchases		12,995	3,822,830	3,835,825
Proceeds from disposal of financial assets		-	(1,634,975)	(1,634,975)
Gain on disposal of financial assets	22	-	21,950	21,950
Fair value at December 31, 2020	5, 6, 30	P29,056	P13,682,640	P13,711,696
Cost at December 31, 2020		P25,585	P12,374,828	P12,400,413
Unrealized gains at December 31, 2020		P3,471	P1,307,812	P1,311,283

		December 31, 2019		
	Note	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2019		P11,590	P10,349,879	P10,361,469
Unrealized gains (losses) at January 1, 2019		2,771	(1,084,513)	(1,081,742)
Fair value at January 1, 2019		14,361	9,265,366	9,279,727
Fair value gain recognized in:				
Profit or loss	22	-	1,588,222	1,588,222
Other comprehensive income		1,700	-	1,700
Foreign exchange loss	22	-	(21,483)	(21,483)
Purchases		1,000	2,647,487	2,648,487
Proceeds from disposal of financial assets		-	(2,849,903)	(2,849,903)
Gain on disposal of financial assets	22	-	17,560	17,560
Fair value at December 31, 2019	5, 6, 30	P17,061	P10,647,249	P10,664,310
Cost at December 31, 2019		P12,590	P10,165,023	P10,177,613
Unrealized gains at December 31, 2019		P4,471	P482,226	P486,697

The Company's investments consist of the following:

	Note	2020	2019
Government bonds	5, 6	**P13,103,503**	P10,280,996
Unit investment trust fund (UITF)	5, 6, 26	**274,021**	115,175
Corporate debt securities	5, 6	**198,664**	148,284
Quasi government bonds	5, 6	**106,452**	102,794
Equity securities	6	**29,056**	17,061
	30	**P13,711,696**	P10,664,310

Interest rates range from 00.000% to 15.000% in 2020 and 2019.

In December 17, 2019, the Company invested in five (5) UITF of its wholly-owned subsidiary, Pru Life UK Asset Management and Trust Corporation (PAMTC). These funds are PruInvest Peso Liquid Fund, PruInvest USD Liquid Fund, PruInvest USD Global Market Balanced Fund of Funds, PruInvest USD Global Technology Equity Feeder Fund and PruInvest USD High Yield Asian Bond Feeder Fund (see Note 26).

The rollforward analysis of the fair value reserve on AFS financial assets is as follows:

	2020	2019
Balance at beginning of year	**P4,471**	P2,771
Fair value (loss) gain	**(1,000)**	1,700
Balance at end of year	**P3,471**	P4,471

9. Investment in Subsidiary

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 778 dated May 11, 2018, has approved the establishment of PAMTC. PAMTC was incorporated and registered with the Philippine SEC on November 26, 2018, primarily to carry and engage in trust business activities, other fiduciary business and investment management activities; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be done by trust corporations organized under and in accordance with the General Banking Law and its Implementing Rules and Regulations and such other applicable laws, rules and regulations on trust corporations, and to do all other things incident thereto and necessary and proper in connection with said purposes as may be determined by the Monetary Board of the BSP. On March 12, 2019, the BSP issued the Certificate of Authority to Operate to PAMTC.

PAMTC's registered address is at the 2/F Uptown Parade 2, 36th Street, Fort Bonifacio, Taguig City Fourth District, Philippines.

In 2018, the Company made a capital infusion to PAMTC amounting to P360.25 million. In 2020 and 2019, the Company did not recognize any impairment loss on its investment in subsidiary. As of December 31, 2020 and 2019, the carrying value of the investment in subsidiary amounted to P360.25 million.

The key financial information of the subsidiary as at and for the year ended December 31, 2020 is as follows:

	2020	2019
Total assets	**P237,966**	P334,332
Total liabilities	**51,217**	52,682
Net assets	**186,749**	281,650
Net loss	**95,218**	60,708
Other comprehensive income	**872**	555

10. Policy Loans Receivables

	Note	**2020**	2019
Policy loans receivables		**P381,766**	P378,622
Allowance for impairment losses		**(10,161)**	(8,533)
	5, 30	**P371,605**	P370,089

Policy loans receivables account pertains to the outstanding balances of loans granted to policyholders, fully secured by the cash surrender value of the underlying insurance policy at the time of issuance. These may be in the form of a cash loan applied by the policyholder or automatic policy loan to cover premiums due on the policy.

The Company provides an allowance for policy loans and the related capitalized interest periodically to reflect the estimated realizable value of the receivables as at each reporting date.

Provision for impairment losses on policy loans receivables amounting to P12.90 million and P0.57 million in 2020 and 2019, respectively, were recognized as expense under "Others" in profit or loss.

The rollforward analysis of the allowance for impairment losses in policy loans receivables is as follows:

	2020	2019
Balance at beginning of year	**P8,533**	P14,875
Provision for impairment losses	**12,895**	570
Reversals taken up to profit or loss	**(11,267)**	(6,912)
Balance at end of year	**P10,161**	P8,533

11. Assets Held to Cover Linked Liabilities

On September 11, 2002, the IC approved the Company's license to sell variable unit-linked insurance policies, a life insurance product that is linked to investment funds (see Note 1). The premium of this product is divided into two parts: the insurance portion and the investment portion. The investment portion of the premium, net of withdrawals, is recognized as "Costs on premiums of variable insurance" in the profit or loss and invested in a separately identifiable fund. The fund is valued regularly and is divided into units which represent the unit-linked policyholder's share in the fund. The value of the fund divided by the number of units is called the unit price. An amount equal to the "Assets held to cover linked liabilities" (representing the managed funds) is shown under the "Technical provisions for linked liabilities" account in the separate statement of financial position, a representation that the funds belong to the unit-linked policyholders.

Linked funds is a line of business in which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the linked fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from linked funds, which is included in "Policy administration fees" in profit or loss.

Separate financial statements are prepared for the linked funds. Linked fund assets are carried at recurring fair value. Fair values are determined using the valuation method discussed in Note 6.

Assets held to cover linked liabilities are composed of:

	Note	**2020**	2019
Cash and cash equivalents	*5*	**P1,550,226**	P1,085,715
Interest receivable	*5*	**261,872**	321,498
Receivable from life fund	*5*	**639,816**	210,758
Investments in treasury notes and other funds	*6*	**133,317,942**	125,597,120
Other assets	*5*	**141,482**	138,461
Liability to life fund and other linked funds	*5*	**(39,149,881)**	(37,164,436)
Accrued expense	*5*	**(152,134)**	(143,665)
Trade payable	*5*	**(250,408)**	(177,074)
Net assets	*30*	**P96,358,915**	P89,868,377

Investments in treasury notes and other funds are composed of:

	Note	2020	2019
Investments in treasury notes	5	**P23,859,252**	P26,470,160
Investments in shares of stocks		**57,429,821**	49,770,482
Investment in other funds:			
Investment in bond fund	5	**14,092,390**	16,140,606
Investment in equity fund		**24,700,844**	20,880,284
Investment in offshore fund (IOF) - Bonds	5	**9,954,379**	9,071,639
IOF - Equities		**3,185,999**	3,264,284
UITF - Equities		**101,472**	-
Non-deliverable forward contract		**(6,215)**	(335)
Total investments	6	**P133,317,942**	P125,597,120

Total premiums and costs from the unit-linked product for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Linked premiums	20	**P30,838,305**	P26,779,590
Costs on premiums of variable insurance		**(12,924,382)**	(5,571,893)
Surrenders		**(5,000,414)**	(10,387,159)
Net linked premiums		**P12,913,509**	P10,820,538

12. Coverage Debt Receivables

	Note	2020	2019
Coverage debt receivables		**P1,195,099**	P948,005
Allowance for impairment losses		**(357,593)**	(224,523)
	5, 30	**P837,506**	P723,482

Coverage debt receivables pertain to policy charges billed against the investment account of unit-linked policyholders.

These receivables normally arise from policy charges covering mortality risk, taxes and administrative fees due from new unit-linked policyholders who have not accumulated enough investments to cover these fees.

The Company provides an allowance for uncollectible coverage debt charges for lapsed and terminated policies.

Provision for impairment losses on coverage debt receivables amounting to P133.07 million and P59.91 million in 2020 and 2019, respectively, were recognized in profit or loss.

The rollforward analysis of the allowance for impairment losses on coverage debt receivables is as follows:

	2020	2019
Balance at beginning of year	**P224,523**	P164,616
Provision for impairment losses	**133,070**	59,907
Balance at end of year	**P357,593**	P224,523

13. Property and Equipment

The movements in this account are as follows:

	2020						
	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P292,380	P190,547	P119,122	P10,027	P863,853	P38,411	P1,514,340
Additions	46,410	1,002	11,084	-	29,898	63,953	152,347
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	-	4	-	-	497	(4,103)	(3,602)
Ending balance	332,683	190,246	126,994	10,027	894,248	98,261	1,652,459
Accumulated Depreciation and Amortization							
Beginning balance	211,417	126,915	58,113	7,235	572,261	-	975,941
Depreciation and amortization	49,423	28,726	19,757	414	131,989	-	230,309
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	496	140	1,194	-	511	-	2,341
Ending balance	255,229	154,474	75,852	7,649	704,761	-	1,197,965
Carrying Amount Beginning balance	P80,963	P63,632	P61,009	P2,792	P291,592	P38,411	P538,399
Carrying Amount Ending balance	P77,454	P35,772	P51,142	P2,378	P189,487	P98,261	P454,494

Property and equipment with carrying amount of P1.11 million were disposed and sold during the year with proceeds amounting to P1.21 million resulting to a net gain of P0.10 million which is part of 'Others - net' under Other Revenue.

	2019						
	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P239,457	P170,920	P102,222	P10,027	P804,697	P93,248	P1,420,571
Additions	58,984	17,133	32,232	-	41,471	71,486	221,306
Disposals	(6,061)	(6,178)	(15,332)	-	(21,359)	-	(48,930)
Reclassification	-	8,672	-	-	39,044	(126,323)	(78,607)
Ending balance	292,380	190,547	119,122	10,027	863,853	38,411	1,514,340
Accumulated Depreciation and Amortization							
Beginning balance	173,655	105,200	52,027	6,821	442,029	-	779,732
Depreciation and amortization	43,772	27,065	20,445	414	151,489	-	243,185
Disposals	(6,010)	(5,350)	(14,359)	-	(21,257)	-	(46,976)
Ending balance	211,417	126,915	58,113	7,235	572,261	-	975,941
Carrying Amount Beginning balance	P65,802	P65,720	P50,195	P3,206	P362,668	P93,248	P640,839
Carrying Amount Ending balance	P80,963	P63,632	P61,009	P2,792	P291,592	P38,411	P538,399

The office improvement in progress amounting to P78.61 million which pertains to loan to agents, software maintenance and various office purchases and expenses was reclassified to advances to agents, development cost, other assets and office expenses.

Property and equipment with carrying amount of P1.95 million were disposed and sold during the year with proceeds amounting to P1.88 million resulting to a net loss of P0.76 million which is under "Other's - net" in Profit or Loss.

14. Deferred Acquisition Costs

	Note	2020	2019
Beginning balance		**P8,948,805**	P7,651,595
Movements during the year:			
Deferred expenses		**2,598,556**	2,300,864
Amortization of deferred acquisition costs		**(1,138,675)**	(1,003,654)
		1,459,881	1,297,210
Ending balance	*5, 30*	**P10,408,686**	P8,948,805

15. Other Assets

	Note	2020	2019
Receivable from unit linked fund		**P498,816**	P298,988
Investments in ASF	26	**425,732**	-
Software development costs - net		**199,244**	177,226
Advances to employees and agents		**157,561**	148,514
Prepayments		**143,902**	337,182
Nonrefundable deposits		**128,956**	119,367
Others		**118,151**	174,309
Due from related parties	*26*	**12,954**	30,126
		1,685,316	1,285,712
Allowance for impairment losses on advances to employees and agents		**(5,335)**	(3,891)
	30	**P1,679,981**	P1,281,821

Receivable from unit linked fund pertains to the amount to be received by the Company from Pru Link funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Investments in ASF pertain to the agents' savings funds which is managed and is under the custodianship of PAMTC pursuant to an Investment Management Agreement signed by the Company and PAMTC in 2020.

Prepayments consist of prepaid rent, insurance, and licenses.

Software development costs consist of costs for the development of major enhancements in the policy administration system used by the Company. These assets are amortized on a straight-line basis over five (5) years.

Nonrefundable deposits consist mainly of security lease deposits that can be applied at the end of the lease term.

Advances to employees and agents are collected through payroll deductions or through expense liquidation.

Others consist mainly of corporate give away inventories, gifts, income tax withheld and prudential guarantees.

The rollforward analysis for allowance for impairment losses on advances to employees and agents are as follows:

	2020	2019
Balance at beginning of year	P3,891	P3,187
Provision for impairment losses	1,976	1,408
Reversals taken up to profit or loss	(532)	(704)
Balance at end of year	P5,335	P3,891

The Company collected advances to employees and agents that have been previously written off amounting to P0.53 million and P0.70 million in 2020 and 2019, respectively.

The movements of software development costs in 2020 and 2019 are as follows:

	2020	2019
Gross Carrying Amount		
Beginning balance	P545,776	P503,585
Acquisitions	63,546	42,191
Ending balance	609,322	545,776
Accumulated Amortization		
Beginning balance	368,550	325,410
Amortization	41,528	43,140
Ending balance	410,078	368,550
Net Carrying Amount		
Beginning balance	P177,226	P178,175
Ending balance	P199,244	P177,226

16. Legal Policy Reserves

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	2020	2019
Beginning balance		P5,354,876	P5,334,105
Gross change in reserves:			
New business		124,332	130,150
Net premiums written		123,036	134,754
Accretion of interest		78,656	153,739
Liabilities released for payments on death, surrenders and other terminations		(802,427)	(541,673)
Other movements		490,478	(258,478)
Total gross change in reserves	*23*	14,075	(381,508)
Remeasurement on life insurance reserve		1,021,681	402,279
Ending balance	*5, 30*	P6,390,632	P5,354,876

The appropriated retained earnings for negative reserves amounted to P60.82 million and P58.75 million in 2020 and 2019, respectively.

17. Claims Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	**2020**	2019
Beginning balance:			
Notified payable		**P456,174**	P405,290
IBNR		**148,309**	93,148
		604,483	498,438
Cash paid for claims settled during the year		**(1,303,378)**	(928,263)
Increase in liabilities		**1,308,780**	1,034,308
Ending balance		**P609,885**	P604,483
Notified claims payable		**P478,962**	P456,174
IBNR		**130,923**	148,309
	5, 30	**P609,885**	P604,483

18. Reinsurance Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	**2020**	2019
Beginning balance		**P126,206**	P98,220
Premium ceded to reinsurers	*20*	**404,668**	403,869
Paid during the year		**(429,865)**	(375,883)
Ending balance	*5, 30*	**P101,009**	P126,206

19. Accounts Payable, Accrued Expenses and Other Liabilities

The account consists of the following:

	Note	**2020**	2019
Accrued expenses		**P1,957,587**	P1,565,287
Dividends payable to policyholders		**1,181,577**	1,133,897
Due to unit-linked funds		**598,474**	210,954
Income tax payable		**582,855**	-
Premium suspense account		**562,520**	455,591
Agent's commission payable		**527,973**	462,816
Provident fund payable		**462,881**	306,450
Due to related parties		**441,583**	101,087
Withholding tax payable		**64,441**	53,628
Other tax payables		**55,790**	49,036
Premium deposit fund		**28,994**	41,650
Retirement liability	*24*	**8,418**	19,313
Other liabilities		**190,270**	144,315
	30	**P6,663,363**	P4,544,024

Accrued expenses primarily consist of performance and incentive bonuses payable.

Dividends payable to policyholders pertains to supplementary discretionary returns through participation in the surplus of the Company arising from participating business.

Due to unit-linked fund pertains to the investment portion of premiums received from the policyholders that are yet to be invested in the separately identifiable funds.

Premium suspense account pertains to amounts received from the policyholders who are in the process of policy application and unidentified collections. These collections will be applied to premiums due.

Agent's commission payable pertains to unpaid commissions.

Provident fund payable represents the retirement fund for agents.

Due to related parties account includes payables to Eastspring, Prudential Services Asia (PSA) and Prudential Holdings Limited (PHL) (see Note 26).

Withholding tax payable pertains to the taxes withheld that are due to the government.

Premium deposit fund represents advance payment from policyholders which will be used for payment of any future unpaid premiums under the policy. The fund earns interest which is credited to the fund. The accumulated fund shall not exceed the total future premium payments under the policy.

20. Net Premiums

Gross premiums on insurance contracts:

	Note	2020	2019
Unit-linked insurance	*11*	**P30,838,305**	P26,779,590
Group life insurance		**283,190**	331,022
Ordinary life insurance		**214,168**	212,105
Accident and health		**51,193**	46,278
		P31,386,856	P27,368,995

Reinsurer's share of gross premiums on insurance contracts:

	Note	2020	2019
Unit-linked insurance		**P177,877**	P136,974
Group life insurance		**214,141**	256,552
Ordinary life insurance		**12,650**	10,343
	18	**P404,668**	P403,869

Net premiums on insurance contracts:

	2020	2019
Unit-linked insurance	**P30,660,428**	P26,642,616
Group life insurance	**69,049**	74,470
Ordinary life insurance	**201,518**	201,762
Accident and health	**51,193**	46,278
	P30,982,188	P26,965,126

21. Policy Administration Fees

Policy administration fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy document:

	2020	2019
Managed Fund	**1.79%**	1.79%
Bond Fund (Philippine peso)	**1.53%**	1.53%
Bond Fund (U.S. dollar)	**1.53%**	1.53%
Growth Fund	**2.25%**	2.25%
Equity Fund	**2.25%**	2.25%
Proactive Fund	**2.25%**	2.25%
Money Market Fund	**0.50%**	0.50%
Asian Local Bond Fund	**1.80%**	1.80%
Asia Pacific Equity Fund	**2.05%**	2.05%
Global Emerging Fund	**2.05%**	2.05%
Cash Flow Fund (U.S. dollar)	**1.95%**	1.95%
Cash Flow Fund (Philippine peso)	**1.95%**	1.95%
Asian Balanced Fund	**1.95%**	1.95%
Global Market Navigator Fund	**2.25%**	2.25%
Equity Index Tracker Fund	**1.75%**	-

Policy administration fees amounted to P1.75 billion and P1.84 billion in 2020 and 2019, respectively.

22. Investment Gain

The account consists of the following:

	Note	2020	2019
Unrealized gain on valuation of investments	*8*	**P855,951**	P1,588,222
Interest income		**553,083**	549,727
Gain on disposal of investments	*8*	**21,950**	17,560
Investment management expense		**(286,253)**	(317,690)
Final withholding tax		**(110,589)**	(108,674)
Foreign exchange loss	*8*	**(30,365)**	(21,483)
		P1,003,777	P1,707,662

23. Benefits and Claims

Gross benefits and claims on insurance contracts:

	2020		
	Gross Benefits and Claims	**Reinsurers' Share of Gross Benefits and Claims**	**Net**
Unit-linked insurance	**P5,811,648**	**(P95,876)**	**P5,715,772**
Ordinary life insurance	**102,100**	**(28,334)**	**73,766**
Group life insurance	**6,942**	**-**	**6,942**
Accident and health	**2,722**	**(6)**	**2,716**
	P5,923,412	**(P124,216)**	**P5,799,196**

	2019		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	P10,906,997	(P62,206)	P10,844,791
Ordinary life insurance	279,075	(2,163)	276,912
Group life insurance	21,608	-	21,608
Accident and health	5,006	-	5,006
	P11,212,686	(P64,369)	P11,148,317

Gross change in increase in legal policy reserves:

	Note	**2020**	2019
Unit-linked insurance		**P44,901**	(P9,647)
Ordinary life insurance		**(34,347)**	(375,744)
Group life insurance		**520**	998
Accident and health		**3,001**	2,885
	16	**P14,075**	(P381,508)

24. Retirement Plan

As discussed in Note 3, the Company maintains a DC plan with minimum DB guarantee and is accounted for as a DB plan. As at December 31, 2020, the DB liability is more than the DC liability.

The Company's latest actuarial valuation date was as of December 31, 2020.

The following tables show reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	2020		
	DBO	**FVPA**	**Net Defined Benefit Liability (Note 19)**
Balance at January 1, 2020	P528,410	P509,097	P19,313
Included in Profit or Loss			
Current service cost	87,684	-	87,684
Interest cost	27,748	26,798	950
	115,432	26,798	88,634
Included in Other Comprehensive Income			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	(8,620)	-	(8,620)
Experience adjustment	6,482	-	6,482
Return on plan assets excluding interest income	-	2,165	(2,165)
	(2,138)	2,165	(4,303)
Others			
Contributions paid by the employer	-	95,226	(95,226)
Benefits paid	(49,380)	(49,380)	-
Transfers	(418)	(418)	-
	(49,798)	45,428	(95,226)
Balance at December 31, 2020	P591,906	P583,488	P8,418

	2019		
	DBO	FVPA	Net Defined Benefit Liability (Note 19)
Balance at January 1, 2019	P425,868	P417,091	P8,777
Included in Profit or Loss			
Current service cost	76,150	-	76,150
Interest cost	31,180	30,855	325
	107,330	30,855	76,475
Included in Other Comprehensive Income			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	16,970	-	16,970
Experience adjustment	19,526	-	19,526
Return on plan assets excluding interest income	-	13,311	(13,311)
	36,496	13,311	23,185
Others			
Contributions paid by the employer	-	89,124	(89,124)
Benefits paid	(28,163)	(28,163)	-
Transfers	(13,121)	(13,121)	-
	(41,284)	47,840	(89,124)
Balance at December 31, 2019	P528,410	P509,097	P19,313

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to P88.63 million and P76.48 million in 2020 and 2019, respectively.

The Company's plan assets consist of the following:

	2020	2019
Cash and cash equivalents	**P63,955**	P20,344
Receivables	**14,491**	16,515
Government securities	**294,115**	258,014
Unit investment trust funds	**33,457**	39,260
Investment in mutual funds	**110,158**	102,592
Corporate bonds	**67,312**	72,372
	P583,488	P509,097

The expected contribution to the defined benefit retirement plan in 2021 is P96.19 million.

The following were the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate	**3.75%**	5.00%
Future salary growth	**3.00% p.a. first 5 years, 5.00% p.a. thereafter**	6.00%

The weighted-average duration of the defined benefit obligation is 16.60 years and 15.70 years in December 31, 2020 and 2019, respectively.

Maturity analysis of the benefit payments:

	2020				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Retirement liability	**P591,906**	**P513,051**	**P33,588**	**P183,953**	**P295,510**

	2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Retirement liability	P528,410	P489,029	P30,292	P143,537	P315,200

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below:

	Defined Benefit Obligation	
	Increase	**Decrease**
Discount rate (1% movement)	**(2.34%)**	**4.69%**
Future salary growth (1% movement)	**4.59%**	**(2.35%)**

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

25. Income Taxes

The components of the Company's income tax expense in profit or loss are as follows:

	2020	2019
Current tax expense	**P1,031,382**	P -
Deferred tax expense	**237,449**	594,343
	P1,268,831	P594,343

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in profit or loss is as follows:

	2020	2019
Income before income tax expense	**P5,539,189**	P5,532,644
Income tax using the domestic corporation tax rate	**P1,661,757**	P1,659,793
(Reductions in) additions to income tax resulting from:		
(Non-taxable gain) non-deductible loss on valuation of investments	**(247,735)**	(466,664)
Interest income subjected to final tax	**(134,008)**	(385,900)
(Non-taxable income) non-deductible expenses	**(8,571)**	32,010
Change in unamortized past service cost	**(2,031)**	-
Non-taxable gain from disposal of investments	**(581)**	(25,085)
Deductible NOLCO	**-**	(290,832)
Other income subjected to final tax	**-**	(260,417)
Effect of unrecognized deferred tax assets	**-**	237,532
Effect of reversal of deferred tax asset	**-**	205,180
MCIT benefit offset against current tax	**-**	(111,274)
	P1,268,831	P594,343

Deferred tax assets from previous years have not been fully recognized because at that time, it was not probable that future taxable profit will be available against which the Company can utilize the benefits from. The unrecognized deferred tax assets as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Tax Base	Deferred Tax Assets	Tax Base	Deferred Tax Assets
Accrued expenses	P1,584,601	P475,380	P1,584,601	P475,380
Agent's commission	462,816	138,845	462,816	138,845
Provident fund	306,450	91,935	306,450	91,935
IBNR	148,309	44,493	148,309	44,493
MCIT	-	-	3,976	3,976
Remeasurement on life insurance reserve	656,795	197,039	656,795	197,039
Others	61,585	18,475	63,905	19,171
	P3,220,556	P966,167	P3,226,852	P970,839

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2020 and 2019.

	2020			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement liability	(P11,996)	P -	(P1,291)	(P13,287)
Deferred acquisition costs	(2,684,642)	(437,964)	-	(3,122,606)
Accrued expenses	-	114,421	-	114,421
Agent's commission	-	19,547	-	19,547
Provident fund	-	46,929	-	46,929
IBNR	-	(5,216)	-	(5,216)
Remeasurement on life insurance reserve	-	-	306,504	306,504
PFRS 16-related expenses	-	22,803	-	22,803
Unamortized past service cost	-	2,031	-	2,031
Deferred tax liabilities - net	(P2,696,638)	(P237,449)	P305,213	(P2,628,874)

	2019			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
NOLCO	P205,180	(P205,180)	P -	P -
Retirement liability	(18,952)	-	6,956	(11,996)
Deferred acquisition costs	(2,295,479)	(389,163)	-	(2,684,642)
Deferred tax liabilities - net	(P2,109,251)	(P594,343)	P6,956	(P2,696,638)

The details of the Company's MCIT available for offsetting against its current tax liabilities and remaining available MCIT available for offsetting against future tax liabilities are as follows:

Year Incurred	Amount	Application	Remaining Balance	Date of Expiration
2018	P3,976	P3,976	P -	December 31, 2021

The carry-forward benefits of NOLCO which are offset against taxable income are as follows:

Year Incurred	Amount	Application	Remaining Balance	Date of Expiration
2017	P113,581	P113,581	P -	December 31, 2020
2018	242,932	242,932	-	December 31, 2021
	P356,513	P356,513	P -	

26. Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

The Company's KMP are composed of the senior management and directors.

The following are the significant related party transactions by the Company:

Category/Transaction	Year	*Note*	Amount of the Transaction	Due to Related Parties (Note 19)	Due from Related Parties (Note 15)	Investments in UITF (Note 8)	Investments in ASF (Note 15)	Terms	Conditions
Eastspring (Under Common Control)									
• Investment management	2020	*a*	P267,555	P68,547	P -	P -	P -	30 days; noninterest - bearing	Unsecured
	2019	*a*	P301,128	P76,462	-	-	-	30 days; noninterest - bearing	Unsecured
PSA (Under Common Control)									
• IT service costs	2020	*b*	90,792	33,251	-	-	-	30 days; noninterest - bearing	Unsecured
	2019	*b*	247,591	3,291	-	-	-	30 days; noninterest - bearing	Unsecured
PHL (Under Common Control)									
• Allocation of expenses	2020	*c*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
	2019	*c*	143,089	21,334	-	-	-	30 days; noninterest - bearing	Unsecured
Prudence Foundation Limited (Under Common Control)									
• Allocation of expenses	2020	*d*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
	2019	*d*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
PAMTC (Subsidiary)									
• Allocation of expenses	2020	*e*	68,773	-	12,543	-	-	30 days; noninterest - bearing	Unsecured; not impaired
	2019	*e*	53,557	-	29,920	-	-	30 days; noninterest - bearing	Unsecured; not impaired
• Shared service fee	2020		2,436	-	411	-	-	30 days; noninterest-bearing	Unsecured; not impaired
	2019	*e*	206	-	206	-	-	30 days; noninterest-bearing	Unsecured; not impaired
• Investments in PAMTC's UITFs	2020	*8*	158,846	-	-	274,021	-	Noninterest-bearing	Unsecured
	2019	*8*	115,000	-	-	115,175	-	Noninterest-bearing	Unsecured
• Investments in ASF	2020	*15*	425,732	-	-	-	425,732	Noninterest-bearing	Unsecured
	2019	*15*	-	-	-	-	-	Noninterest-bearing	Unsecured
• Investment management	2020	*e*	2,845	2,790	-	-	-	Noninterest-bearing	Unsecured
	2019	*e*	-	-	-	-	-	Noninterest-bearing	Unsecured
• Investment service fee	2020	*e*	5,707	5,707	-	-	-	Noninterest-bearing	Unsecured
	2019	*e*	-	-	-	-	-	Noninterest-bearing	Unsecured

Forward

Category/Transaction	Year	Note	Amount of the Transaction	Due to Related Parties (Note 19)	Due from Related Parties (Note 15)	Investments in UITF (Note 8)	Investments in ASF (Note 15)	Terms	Conditions
PCHL or Prudential Corporation Holdings Limited (Parent)									
• Allocation of expenses	2020	*f*	P372,630	P291,161	P -	P -	P -	30 days; noninterest - bearing	Unsecured
	2019	*f*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
PSS or Prudential Services Singapore Pte Ltd (Under Common Control)									
• Allocation of expenses	2020	*g*	45,869	45,834	-	-	-	30 days; noninterest - bearing	Unsecured
	2019	*g*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
TOTAL	2020			P447,290	P12,954	P274,021	P425,732		
TOTAL	2019			P101,087	P30,126	P115,175	P -		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under "Other assets" (see Note 15) and "Accounts payable, accrued expenses and other liabilities" (see Note 19) accounts, respectively.

a. In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter shall act as investment advisor to the Company on the management of both the Company's investments and the investment funds (see Note 11) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.

b. The Company entered into a Service Level Agreement with PSA to provide infrastructure services aligned to agreed service hours and delivery performance targets. The services involve system availability and operation, service desk, network availability, back-up and recovery, change management, disaster recovery plans and system capacity and resource monitoring.

c. These pertain to advances made by PHL on behalf of the Company for the expenses covering software maintenance, training for regional agency leaders and agents' conference. These are netted against the advances made by the Company on behalf of PHL for the settlement of certain administration costs.

d. Transactions with Prudence Foundation Limited (PFL) pertain to various advances made by the Company on behalf of PFL for activities related to corporate social responsibilities in the Philippines.

e. Transactions with PAMTC pertain to various advances made by the Company on behalf of PAMTC for the cost incurred during the set-up of the latter. The Company also entered into a Shared Services Agreement with PAMTC, whereby the Company shall outsource labor services to PAMTC in consideration for a monthly fee for the labor and overhead charges. Moreover, the Company entered into Fund Management agreements with PAMTC whereby PAMTC will manage some of the Company's investment funds as well as its agents' savings funds. The Company also invested in PAMTC's UITF.

   The Company also has a financial advisory/marketing services agreement with PAMTC, whereby the latter shall act as financial advisor to the Company by conducting industry briefings and seminars that will benefit the Company. As at December 31, 2020, the Company has an outstanding payable amounting to P5.71 million which is presented as part of "Accrued expenses" in the separate statement of financial position.

f. These pertain to advances made by PCHL on behalf of the Company for various expenses including software licenses.

g. The Company entered into a Master Services Agreement with PSS whereby PSS will provide IT security services to the Company such as identity services & access management, data security, vulnerability management, cloud infrastructure security, network security, endpoint security, application security, cyber awareness and readiness, threat monitoring & response and emergency support.

The entities from a to d and f to g above are wholly-owned subsidiaries of Prudential while PAMTC is wholly-owned by the Company.

Compensation of KMP

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The KMP compensation is as follows:

	2020	2019
Short-term employee benefits	**P225,223**	P156,879
Post-employment benefits	**9,956**	1,164
	P235,179	P158,043

These expenses are recorded under "Salaries, allowances and employees' benefits" in profit or loss.

Transactions with the defined benefit plan

The defined benefit plan is a related party. The plan does not hold shares in the Company and the only transaction with the plan relate to the contributions paid (see Note 24).

27. Lease

As a Lessee

The following assets do not meet the definition of investment property.

	Note	2020	2019
Property and equipment owned	*13, 30*	**P454,494**	P538,399
Right-of-use assets, except for investment property	*30*	**711,814**	884,089
		P1,166,308	P1,422,488

The Company leases its head office, branches and parking space. Information about leases for which the Company is a lessee is presented below.

Right-of-Use Assets

	Note	2020	2019
Balance at January 1		**P884,089**	P1,047,515
Additions		**86,895**	68,803
Depreciation		**(259,170)**	(232,229)
Balance at December 31	*30*	**P711,814**	P884,089

Lease Liabilities

	Note	2020	2019
Balance at January 1		**P934,882**	P1,047,515
Additions		**86,895**	68,803
Interest		**66,282**	74,641
Payments		**(290,345)**	(256,077)
Balance at December 31	*5, 30*	**P797,714**	P934,882

	2020	2019
Maturity analysis - contractual undiscounted cash flows		
Less than one (1) year	**P4,265**	P266,216
One to five (5) years	**911,876**	816,101
Total undiscounted lease liabilities at December 31	**916,141**	1,082,317
Lease liabilities included in the separate statement of financial position at December 31	**797,714**	934,882
Current	**209,484**	202,188
Non-current	**588,230**	732,694

Amounts Recognized in Profit and Loss

	2020	2019
Leases under PFRS 16		
Depreciation of right-of-use assets	**P259,170**	P232,229
Interest expense related to lease liabilities	**66,282**	74,641
Expenses relating to short-term leases including VAT on lease payments	**41,908**	71,785

Amount Recognized in the Statement of Cash Flows

	2020	2019
Total cash outflow for leases	**P290,345**	P256,077

Extension Options
Extension options are included in the Company's lease of its head office. On November 6, 2014, the Company entered into a lease contract with Mega World Corporation for office space at Uptown Bonifacio Tower 1 for a period of five (5) years commencing on September 15, 2015 subject to a 5.00% escalation effective on the third year of the lease term and compounded annually thereafter at the same rate.

The extension option of this lease is exercisable by the Company by notice to the lessor not later than 180 days prior to the expiration of the initial lease term.

Leases for branches are for a period of three (3) to five (5) years. None of the leases include contingent rentals and restrictions.

28. Equity

The details of this account are as follows:

	2020	2019
Authorized		
Par value per share	**100**	100
Number of shares	**5,000,000**	5,000,000
Issued and Outstanding		
Number of shares	**5,000,000**	5,000,000
Capital stock	**P500,000**	P500,000
Additional paid-in capital	**462,000**	462,000
Total paid-up capital	**P962,000**	P962,000

On May 21, 2020, the BOD of the Company declared cash dividends amounting to P1.00 billion. On the same day, the IC issued CL No. 2020-66 *Interim Guidelines on the Declaration and/or Distribution of Dividends with the End in View of Conserving Capital Due to the Projected Economic Impact of the COVID-19 Pandemic* to prescribe interim guidelines requiring regulated entities to secure prior approval of the IC for dividends declared and/or distributed for the year 2020. The Company submitted documents for approval pursuant to CL No. 2020-66 and this was approved by the IC on June 1, 2020. The dividends were paid on June 16, 2020.

On October 23, 2020, the BOD of the Company declared additional cash dividends amounting to P2.00 billion which shall not be remitted earlier than December 10, 2020. As at December 31, 2020, the Company's request for approval is still pending from the IC. However, the IC issued CL No. 2021-02 *Revised Guidelines on Declaration and/or Distribution of Dividends* on January 7, 2021 to supersede CL No. 2019-60 which requires companies to seek prior approval from the institution to declare and/or distribute dividends. The latest CL requires no prior approval or clearance from IC on the declaration of dividends but only requires insurance companies to submit reportorial requirements post dividend distribution. Hence, even without IC's approval, the Company paid the dividend on January 25, 2021. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on February 24, 2021.

On March 14, 2019, the BOD of the Company declared cash dividends amounting to P1.18 billion or P235.29 per share. This was approved by the IC on May 3, 2019 and was paid on May 22, 2019.

On September 5, 2019, additional cash dividends were declared by the BOD of the Company amounting to P1.88 billion. Due to the requirement of the IC to use the Company's 2018 Annual Synopsis as basis for the dividend remittance, the Company notified IC on October 25, 2019 that it will reduce its declared dividends to P1.00 billion or P200.00 per share. On October 30, 2019, the IC released CL No. 2019-60 which provides, among other things, that the declaration of dividends shall require no prior approval or clearance from the IC and that a post-distribution reportorial requirement shall be reported to the IC within 30 days after dividend declaration or distribution. CL No. 2019-60 shall be made effective immediately. On November 14, 2019, the cash dividends of P1.00 billion was paid and on November 27, 2019, the corresponding post-distribution reportorial requirements were received by the IC. On December 10, 2019, the BOD approved to reduce the cash dividends declared in September 5, 2019 to P1.00 billion.

As at December 31, 2020, the Company's unappropriated retained earnings of P15.21 billion is in excess of its paid-up capital of P962 million. However, the Company plans to use the excess retained earnings to comply with the increasing capital and new regulatory requirements by the IC, as well as the Company's plan for new investment initiatives. The Company, being an insurance company, has special circumstances due to special reserve requirements of the IC, thus, exempted from prohibition of retaining surplus profits in excess of one hundred (100%) percent of paid-in capital stock, under Section 43 of the Corporation Code. The exemption provision indicates that "when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

29. Contingent Liabilities

In the normal course of the Company's operations, there are outstanding contingent liabilities which are not reflected in the separate financial statements. The management of the Company does not anticipate losses that will materially affect the separate financial statements as a result of these contingencies.

30. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2020 and 2019 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).The following table presents all assets and liabilities as at December 31, 2020 and 2019 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

		2020				2019			
	Note	Within One Year	Beyond One Year	No Term	Total	Within One Year	Beyond One Year	No Term	Total
Assets									
Cash and cash equivalents	*7*	P3,323,183	P -	P -	P3,323,183	P2,689,908	P -	P -	P2,689,908
Interest receivables	*5*	2,492	119,634	34	122,160	6,338	118,338	34	124,710
Investments	*6, 8*	2,835,603	10,573,016	303,077	13,711,696	761,073	9,771,001	132,236	10,664,310
Investment in subsidiary	*9*	-	-	360,248	360,248	-	-	281,650	281,650
Premiums due from policyholders	*5*	12,271	-	-	12,271	15,449	-	-	15,449
Policy loans receivables - net	*5, 10*	-	371,605	-	371,605	-	370,089	-	370,089
Coverage debt receivables - net	*5, 12*	837,506	-	-	837,506	723,482	-	-	723,482
Reinsurance assets	*5*	73,295	-	-	73,295	57,221	-	-	57,221
Property and equipment - net	*13*	-	-	454,494	454,494	-	-	538,399	538,399
Right-of-use assets - net	*27*	-	-	711,814	711,814	-	-	884,089	884,089
Deferred acquisition costs	*5, 14*	1,179,641	9,229,045	-	10,408,686	1,050,411	7,898,394	-	8,948,805
Other assets - net	*15*	926,049	128,956	624,976	1,679,981	985,228	119,367	177,226	1,281,821
Assets Held to Cover Linked Liabilities	*11*	2,081,927	22,838,015	71,438,973	96,358,915	1,397,594	26,016,159	62,454,624	89,868,377
		P11,271,967	P43,260,271	P73,893,616	P128,425,854	P7,686,704	P44,293,348	P64,468,258	P116,448,310
Liabilities									
Legal policy reserves	*5, 16*	P327,313	P5,960,857	P102,462	P6,390,632	P159,393	P5,115,084	P80,399	P5,354,876
Claims payable	*5, 17*	609,885	-	-	609,885	604,483	-	-	604,483
Reinsurance payable	*5, 18*	101,009	-	-	101,009	126,206	-	-	126,206
Deferred tax liabilities - net	*25*	(115,233)	2,744,107	-	2,628,874	327,120	2,369,518	-	2,696,638
Accounts payable, accrued expenses and other liabilities	*19*	6,663,363	-	-	6,663,363	4,544,024	-	-	4,544,024
Lease liabilities	*5, 27*	209,484	588,230	-	797,714	202,188	732,694	-	934,882
Technical Provisions for Linked Liabilities	*5, 11*	-	96,358,915	-	96,358,915	-	89,868,377	-	89,868,377
		P7,795,821	P105,652,109	P102,462	P113,550,392	P5,963,414	P98,085,673	P80,399	P104,129,486

31. Event After the Reporting Period

On March 26, 2021, the President signed the Bill into law as Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", with some items vetoed. The abovementioned provisions on reduction in corporate income tax rates were approved and corporate income tax retroacts to July 1, 2020 as intended. Accordingly, the annual income tax return for the year 2020 to be filed on or before April 15, 2021, unless otherwise extended, will already have to use the prorated corporate income tax rate for calendar year 2020.

On April 08, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

1. BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;

2. BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;

3. BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and

4. BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law.

The corporate income tax of the Company will be lowered from 30% to 25%, effective July 1, 2020. Following is the quantified potential impact of the CREATE Act to these financial statements:

	2020
Addition to (reduction in):	
Income Tax Expense in Profit or Loss	
Current tax expense	(P85,948)
Deferred tax expense	(487,014)
Other Comprehensive Loss (Income)	
Income tax effect	48,870
	(P524,092)

32. Supplementary Information Required by the Bureau of Internal Revenue (BIR) based on Revenue Regulation No. 15-2010

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

The following is the tax information required for the taxable year ended December 31, 2020 (expressed in whole amounts):

A. Value Added Tax

The details of the Company's output VAT declared in 2020 are as follows:

Other income - shared service fees	P1,683,967
Output VAT rate	12%
	P202,076

B. Documentary Stamp Tax

On others	P26,354,083

C. Withholding Taxes

Creditable withholding taxes	P569,204,337
Final withholding taxes	150,168,008
Tax on compensation and benefits	271,957,382
	P991,329,727

D. All Other Taxes (Local and National)

Premiums tax	P136,181,415
License and permit fees	49,171,459
Fringe benefits tax	25,296,015
Real estate taxes	108,994
	P210,757,883

E. Other Tax Matters

Pursuant to sections 6 (A) and 10 (C) of the National Internal Revenue Code of 1997, As Amended, the Company received a Letter of Authority from BIR to examine its books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax and other taxes for the period covering January 1, 2018 to December 31, 2018 on August 12, 2020. The result of which has yet to be determined as at December 31, 2020.

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2020 other than the aforementioned.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the year ended December 31, 2020, on which we have rendered our report dated April 8, 2021.

Our audit was made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

The supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

April 8, 2021
Makati City, Metro Manila

ANNEX 68-D
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2020

PRU LIFE INSURANCE CORPORATION OF U.K.
9/F Uptown Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634
Taguig City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution beginning	**P10,943,309,537**
Add: Net income actually earned/realized during the period	**4,270,364,562**
Net income during the period closed to Retained Earnings	**15,213,674,099**
Less: Non-actual/unrealized income net of tax	-
Equity in net income if associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	**(30,168,866)**
Fair value adjustment (M2M gains)	**855,951,187**
Fair value adjustment of Investment Property Resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	**825,782,321**
Add: Non Actual Losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	-
Net income actually earned during the period	**14,387,891,778**
Add (Less):	
Dividend declarations during the period	**(1,000,000,000)**
Appropriations of Retained Earnings during the period	**(2,067,478)**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**P13,385,824,300**