HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST

FINANCIAL STATEMENTS
December 31, 2018 and 2017

and

Report of Independent Auditors

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2018 and 2017 including the additional components attached therein in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The **Management** is responsible for overseeing the Trust Fund's financial reporting process.

The **Management** reviews and approves the financial statements and submits the same to the members' of the Organization.

PEREZ, SESE, VILLA & CO., the independent auditor appointed by the Management for the years ended December 31, 2018 and 2017, has examined the financial statements of the Trust Fund in accordance the Philippine Standards on Auditing, and in its report to the Management, has expressed its opinion on the fairness of presentation upon completion of such examination.

JOSEPHINE E. JOLEJOLE
Representative of the Trustee

JAYCEE B. RIVERA
Representative of the Trustee

Signed this 12h day of April 2019

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the ____________Philippines, this __________, affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants photograph and signature.

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE AND PLACE ISSUED

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 44
TAGUIG/PATEROS
RECEIVED
DATE:
INITIAL:
RCO's NAME: CONCEPCION T. PREVADO RCO/CODE:
APR 26 2018

PEREZ, SESE, VILLA & Co.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Management
HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST
Corporate Bldg., Bayani Road,
Fort Bonifacio, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** (the Trust Fund), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of revenues and expenses, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Trust Fund's ability to continue as 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 Trust or cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust'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 Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PEREZ, SESE, VILLA & CO.

BY: **MA. ALMA C. SESE**
PARTNER

CPA Reg. No. 0054588
TIN 212-955-173-000
PTR No. 8023849, January 4, 2019, Manila City
SEC Group B Accreditation
Partner – 1606-A, valid until January 19, 2020
Firm – 0336F, valid until January 19, 2020
BIR AN – 06-002735-001-2017, valid until January 04, 2021
IC Accreditation
Firm – F 2017/008-R, valid until August 29, 2020
Partner – SP2017/009, valid until August 29, 2020
FIRM's BOA/PRC Cert. of Reg. No. 0222, valid until August 20, 2020

Manila, Philippines
April 12, 2019

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 44
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PEREZ, SESE, VILLA & Co.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENT FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

To the Management
HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST
Corporate Bldg., Bayani Road,
Fort Bonifacio, Taguig City

We have audited the financial statements of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST**, for the year ended December 31, 2018, on which we have rendered the attached report dated April 12, 2019.

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

1. The taxes paid and accrued by the above Company for the year ended December 31, 2018 are shown in the Schedule of Taxes and Licenses.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholders of the Company.

PEREZ, SESE, VILLA & CO.

BY: **MA. ALMA C. SESE**
PARTNER

CPA Reg. No. 0054588
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Manila, Philippines
April 12, 2019

9th Floor Unit C Marc 2000 Tower, 1973 Taft Ave. cor San Andres St., Malate, Manila Philippines 1004
Tel. No.s: 02.354.7454 | 02.994.3984 | Fax: 02.353.8367

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return and Annual Information Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST**, complete and correct in all material respects. Management likewise affirms that:

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

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

c) the **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BY:
HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST

JOSEPHINE E. JOLEJOLE	**JAYCEE B. RIVERA**
Representative of the Trustee	Representative of the Trustee

PEREZ, SESE, VILLA & Co.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY FINANCIAL STATEMENT FOR
FILING WITH THE BUREAU OF INTERNAL REVENUE

To the Management
HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST
Corporate Bldg., Bayani Road,
Fort Bonifacio, Taguig City

We have audited the financial statements of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST**, for the year ended December 31, 2018, on which we have rendered the attached report dated April 12, 2019.

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

1. The taxes paid and accrued by the above Company for the year ended December 31, 2018 are shown in the Schedule of Taxes and Licenses.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholders of the Company.

PEREZ, SESE, VILLA & CO.

BY: **MA. ALMA C. SESE**
PARTNER

CPA Reg. No. 0054588
TIN 212-955-173-000
PTR No. 8023849, January 4, 2019, Manila City
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BIR AN – 06-002735-001-2017, valid until January 04, 2021
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Partner – SP2017/009, valid until August 29, 2020
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Manila, Philippines
April 12, 2019

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

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

c) the **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BY:
HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST

JOSEPHINE E. JOLEJOLE	**JAYCEE B. RIVERA**
Representative of the Trustee	Representative of the Trustee

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	Notes	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4,5,6	₱ 183,249,960	₱ 115,595,109
Receivables	4,5,7	40,081,723	39,149,078
Inventory - securities	4,8	259,664,134	259,664,134
Prepayments and other current assets	4,9	51,367,090	51,096,431
Total Current Assets		534,362,907	465,504,752
Non-Current Assets			
Loan receivables	4,5,10	-	24,285,714
Financial asset through FVOCI	4,5,11	157,844,674	-
Available for sale investments	4,5,12	-	170,497,865
Property and equipment, net	4,5,13	16,401,875	15,450,998
Total Non-Current Assets		174,246,549	210,234,577
TOTAL ASSETS		₱ 708,609,456	₱ 675,739,329
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	4,5,14	₱ 111,020,130	₱ 99,113,336
Unearned revenues-current	4,15	10,318,546	1,179,244
Total Current Liabilities		121,338,676	100,292,580
Non-Current Liabilities			
Unearned revenues-non current	4,15	23,688,938	-
Security deposit	4,20	10,094,326	10,094,326
Total Non-Current Liabilities		33,783,264	10,094,326
Equity			
Funds and contributions	4, 16	827,190,222	826,433,508
Other comphresive income	4,19	49,280,811	64,597,622
Deficit	4	(322,983,517)	(325,678,707)
Net Equity		553,487,516	565,352,423
TOTAL LIABILITIES AND EQUITY		₱ 708,609,456	₱ 675,739,329

(See accompanying Notes to Financial Statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
District Office No. 44
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HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST
STATEMENTS OF REVENUES AND EXPENSES
For The Years Ended December 31, 2018 and 2017

	Notes	2018	2017
REVENUES	4,17		
Interest income on investments, loan and deposits		₱ **18,600,362**	₱ 16,514,225
Other income		**35,712,351**	26,648,144
TOTAL REVENUE		**54,312,713**	43,162,369
EXPENSES	4,18	**51,617,523**	51,894,682
NET INCOME (LOSS)		₱ **2,695,190**	₱ (8,732,313)

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST
STATEMENTS OF CHANGES IN EQUITY
For The Years Ended December 31, 2018 and 2017

	Notes	**2018**	2017
FUNDS AND CONTRIBUTION	*4, 16*		
Balance at beginning of year		**₱ 826,433,508**	₱ 826,433,508
Additional contributions		**756,714**	-
Balance at end of year		**827,190,222**	826,433,508
DEFICIT			
Balance at beginning of year	*4*	(325,678,707)	(316,946,394)
Net income (loss)		2,695,190	(8,732,313)
Balance at end of year		(322,983,517)	(325,678,707)
OTHER COMPREHENSIVE INCOME (LOSS)	*4,19*		
Balance at beginning of year		64,597,622	73,292,425
Unrealized loss for the year		(15,316,811)	(8,694,803)
Balance at end of year		49,280,811	64,597,622
TOTAL EQUITY		₱ 553,487,516	₱ 565,352,423

(See accompanying Notes to Financial Statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 44
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APR 26 2018

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2018 and 2017

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)		₱ 2,695,190	₱ (8,732,313)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Foreign exchange gains on AFS investments	*4,5,19*	(2,663,620)	(304,549)
Depreciation	*4,5,13*	2,920,542	5,037,094
Operating income (loss) before changes in working capital		2,952,112	(3,999,768)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	*4,5,7*	(932,645)	364,887
Prepayments and other current assets	*4,9*	(270,659)	(1,167,057)
Loan receivables	*4,5,10*	24,285,714	6,071,429
Increase (decrease) in:			
Payables	*4,14*	11,906,794	26,044,479
Unearned revenues	*4,15*	32,828,240	(8,647,788)
Net cash provided by operating activities:		70,769,556	18,666,182
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*4,5,13*	(3,871,419)	(8,107,834)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional contributions	*4, 16*	756,714	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,654,851	10,558,348
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		115,595,109	105,036,761
CASH AT END OF YEAR		₱ 183,249,960	₱ 115,595,109

(See accompanying Notes to Financial Statements)

NOTE 1 - GENERAL INFORMATION

Heritage Park Project – Perpetual Care Fund Trust is an irrevocable trust fund established on November 3, 1994 by virtue of the Perpetual Care Fund Trust Agreement (the PCFTA) entered into by and between the Bases Conversion Development Authority (the Trustor) and the Philippine National Bank (the Trustee). The PCFTA was entered into pursuant to the provisions of the Pool Formation Trust Agreement (PFTA) between the Bases Conversion Development Authority (BCDA) as the project owner, Public Estate Authority (PEA) as the project manager, and Philippine National Bank (PNB) as the trustee. The Pool Formation Trust Agreement defines the Perpetual Care Fund as "*a special fund to be established exclusively for the long term maintenance of the Heritage Park, its facilities and amenities*."

As owner and developer of the Heritage Park Project located in Fort Bonifacio, Taguig, Metro Manila, BCDA issued and sold to the public Heritage Park Investment Certificates (the Certificates) evidencing the right of the holder to the perpetual use of the burial lots specified therein and to the ownership of the improvements and the enjoyment of the common amenities, facilities and services and to the perpetual care and maintenance of the Heritage Park. Funds in the amount of ₱300,525,000 from the proceeds of the underwritten portion of the first tranche offering of the Certificates and an additional amount of ₱56,382,852 from the proceeds of the reserved Certificates under the first tranche offering was set aside for the perpetual care and maintenance of the Heritage Park. These funds initially constituted the Perpetual Care Fund Trust. As provided in the PCFTA, at any time after the initial contribution to the PCF Trust, and as and when BCDA issues and sells the reserved Certificates under the first tranche offering or the second tranche offering of the Certificates or any new inventories or memorial products, additional funds equivalent to 12% of the gross selling prices of the Certificates or new products shall be delivered to the Trustee (PNB) which shall form part of the Perpetual Care Fund.

The financial statements of the Trust Fund for the year ended December 31, 2018 were authorized for issue by the Management on April 12, 2019.

NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation

The financial statements of the Trust Fund have been prepared on the historical cost basis except for certain financial instruments carried at amortized cost and fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Trust Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Trust Fund's functional currency. All financial information presented has been rounded off to the nearest peso, except when otherwise stated.

In preparing the financial statements of the Trust Fund, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in Note 5 to the financial statements.

The principal accounting policies are set out below.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Trust Fund adopted effective for annual periods beginning on or after January 1, 2018.

Unless otherwise indicated, the adoption of the new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

    - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

    - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

    - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

    - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

    - The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Trust Fund's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2018, the Trust Fund has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Trust Fund's financial assets as at January 1, 2018

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash	Loans and receivables	Financial assets at amortized cost	₱ 115,595,109	₱ 115,595,109
Receivables	Loans and receivables	Financial assets at amortized cost	₱ 39,149,078	₱ 39,149,078
Loans receivables	Loans and receivables	Financial assets at amortized cost	₱ 24,285,714	₱ 24,285,714
Financial assets at FVOCI	Available-for-sale financial asset	Financial assets at FVOCI	₱ 170,497,865	₱ 170,497,865

The Trust Fund assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no impact on the carrying amounts of the Trust Fund's financial assets carried at amortized cost (and/or other comprehensive income).

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and deleted the short-term exemptions in paragraph E3-E37 of PFRS 1, because it has now served its intended purpose.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

<u>New and Amended PFRS Issued But Not Yet Effective</u>

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

    - For the Trust Fund's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Trust Fund will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Trust Fund's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Trust Fund completes the review.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle. The amendment to PFRS 3, *Business Combinations* clarifies that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Except for PFRS 16, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Trust Fund.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Assets and Liabilities

Date of Recognition

The Trust Fund recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Trust Fund recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Trust Fund deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Trust Fund determines the appropriate method of recognizing the "Day 1" difference.

Classification

The Trust Fund classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Trust Fund's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are

managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Trust Fund had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Trust Fund may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2018, the Trust Fund does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018, the Trust Fund's cash and cash equivalents, receivables and loan receivables are classified under this category (see Notes 6, 7, and 10).

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Trust Fund may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2018, the Trust Fund's financial asset at FVOCI are classified under this category (see Note 11)

Loans and receivables (2017)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AFS Financial Assets (2017)

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available for Sale Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Trust Fund having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018, the Trust Fund's payable to general fund and accrued expenses under payables are classified under this category (see Note 14).

Impairment of Financial Assets under PFRS 9

The Trust Fund records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust Fund expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Trust Fund has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Trust Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Trust Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Impairment of financial assets under PAS 39

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Trust Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

Financial Liabilities

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Trust Fund could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Trust Fund; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Inventories

Inventories which consists of investment certificates are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the specific identification method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments and Other Current Assets

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.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Trust Fund's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Other current assets represent assets of the Company which are expected to be realized or consumed within one year or within the Company's normal operating cycle whichever is longer. Other current assets are presented in the financial statement of financial position at cost.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either

when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

At the end of each reporting period, item of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets.

Impairment of Non-financial Assets

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its net realizable value. If an item of inventory is impaired, its carrying amount is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Unearned Revenues

Unearned revenues are income received by the Trust Fund which has not yet been earned as at reporting dates.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rentals payments (receipts) under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Trust Fund as Lessor

Leases wherein the Trust Fund substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Trust Fund's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Trust Fund's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of revenue and expenses on a straight-line basis over the lease term.

The Trust Fund determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes as assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist 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 shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Deficit

Deficit represents accumulated losses incurred by the Trust Fund. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of investment certificates

Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged receipts of investment certificate.

Rental income

Revenue recognition for rental income is disclosed in the Trust Fund policy for leases.

Interest income

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

Expense Recognition

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

Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as FVOCI financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with *Philippine Financial Reporting Standards* requires the Trust Fund to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

In the process of applying the Trust Fund's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

<u>Classification of Financial Instruments</u>

The Trust Fund classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

<u>Determination of Whether a Lease is a Finance or Operating Lease</u>

Operating Lease Commitments – Trust Fund as Lessor

The Trust Fund has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties leased to various lessees, thus, accounts for the contracts as operating leases.

<u>Assessment of Impairment of Non-financial Assets</u>

The Trust Fund determines whether there are indicators of impairment of the Trust Fund's non-financial assets such as property and equipment, and prepayments and other currents assets. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Trust Fund to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Trust Fund's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss is recognized in the Trust Fund's financial statements in 2018 and 2017.

<u>Impairment of AFS Financial Assets (2017)</u>

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Trust Fund evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

No impairment loss is recognized in the Trust Fund's financial statements in 2017.

Estimates

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

<u>Estimated Allowance for Impairment of Receivables and Loan Receivables</u>

The Trust Fund reviews its receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of revenue and expenses. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

There was no objective evidence of impairment of receivables in both 2018 and 2017, and therefore no impairment loss was recognized in either of those years.

Total receivables recognized in the Trust Fund's statement of financial position amounted to ₱40,081,723 and ₱39,149,078 as at December 31, 2018 and 2017, respectively.

Total loan receivables recognized in the Trust Fund's statement of financial position amounted to ₱nil and ₱24,285,714 as at December 31, 2018 and 2017, respectively.

Estimating Impairment of Inventories

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs to sell. The Trust Fund determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Trust Fund records provision for excess of cost over net realizable value of inventories. While the Trust Fund believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

As at December 31, 2018 and 2017, Management believes that the net realizable values of the Trust Fund's inventories exceed their carrying values, accordingly, no loss on the decline in value was recognized in both years.

Total inventories recognized in the Trust Fund's statements of financial position amounted to ₱259,664,134 as at December 31, 2018 and 2017.

Estimating Useful Lives of Property and Equipment

The Trust Fund estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used for the depreciation of property and equipment:

Description	Useful Lives
Building	20 years
Building improvement	10 - 20 years
Office equipment	5 years

As at December 31, 2018 and 2017, the carrying amounts of the Trust Fund's property and equipment amounted to ₱16,401,875 and ₱15,450,998, respectively. Total accumulated depreciation as at December 31, 2018 and 2017 amounted to ₱92,410,913 and ₱89,490,371, respectively.

Determining the Fair Value of Financial Instruments

The Trust Fund carries some of its financial assets at fair value, which requires extensive use of accounting estimates and judgment. In addition, certain liabilities acquired through debt exchange and restructuring are required to be carried at fair value at the time of the debt exchange and restructuring. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Trust Fund utilized different valuation methodology. Any change in fair value of these financial assets would affect profit or loss and equity.

The carrying values of the Trust Fund's financial assets at FVOCI are disclosed in Note 11.

NOTE 6 - CASH AND CASH EQUIVALENTS

This account consists of:

		2018		2017
Cash in bank	₱	**9,495**	₱	654
Cash in time deposit placement		**183,240,465**		115,594,455
	₱	**183,249,960**	₱	115,595,109

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of between one month and three months depending on the immediate cash requirements of the Trust Fund, and earn interest ranging from 1.75% to 7% in 2018 and 0.3% to 4% in 2017. Interest earned from these financial assets amounted to ₱4,418,475 and ₱2,169,898 in 2018 and 2017, respectively.

NOTE 7 - RECEIVABLES

This account consists of:

		2018		2017
Receivable from general fund	₱	25,514,224	₱	25,514,224
Receivable from sale of HPICs		7,068,996		7,068,996
Interment share receivables		4,326,881		4,072,815
Accrued interest receivables		3,081,752		2,407,548
Rental fee receivables		85,495		85,495
Others		4,375		-
	₱	40,081,723	₱	39,149,078

Receivable from general fund is associated to the construction of the Pavilion and Area 2 advanced by PCF.

Interment share receivables pertains to the receivable from RMMI for every interment made which amounts to ₱10,000 per interment.

Accrued interest receivables are interest earned but not yet received from interest bearing financial assets held by the Trust Fund.

Rental fee receivable represents unpaid rentals from RMMI for lease of mortuary, crematory and corporate building.

All of the Trust Fund's receivables have been reviewed for indicators of impairment. Management believes that none of receivable is impaired.

NOTE 8 - INVENTORY – SECURITIES

This account consists of Heritage Park Investment Certificates identified as follows:

		2018		2017
Pavilion niches	₱	**108,752,521**	₱	108,752,521
Area 2		**28,936,397**		28,936,397
Taguig area		**61,714,286**		61,714,286
Terrasauleum		**60,260,930**		60,260,930
	₱	**259,664,134**	₱	259,664,134

Number of investment certificates follows:

	2018	2017
Pavilion niches	₱ 11,231	₱ 11,231
Area 2	556	556
Taguig area	36	36
Terrasauleum	114	114
	₱ 11,937	₱ 11,937

Heritage Park Investment Certificates evidence the right of the holder to the perpetual use of the burial lots/niches specified in the certificates and the ownership of the improvement and the enjoyment of the common amenities, facilities and services and to the perpetual care and maintenance of Heritage Park. The securities are valued at cost. There were no certificates sold in 2018 and 2017.

NOTE 9 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2018	2017
Input VAT	₱ 32,728,366	₱ 35,149,380
Prepaid income tax	18,505,258	15,796,170
Prepayments	133,466	150,881
	₱ 51,367,090	₱ 51,096,431

Input tax pertains to accumulated VAT inputs from purchases of goods and services.

Prepaid income tax pertains to creditable taxes withheld from income payments. This amount can be claimed as charges to Trust Fund's future income tax liability.

Prepayments represents the unexpired portion of insurance premium and expenses which is applicable to the succeeding period.

The management has assessed that the input taxes and prepaid income taxes will be used in the future.

NOTE 10 - LOAN RECEIVABLE

This account pertains to the promissory note granted to Rosehills Memorial Management (Philippines), Inc. with an original amount of ₱85,000,000 payable in fifteen (15) years subject to 7% interest per annum and additional earnings of 10% of net profit from the Nacional Memorial Homes. The purpose of the loan granted to RMMI was for the purchase of the Nacional Memorial Homes located at Araneta Ave., Quezon City and to maximize earnings of the Fund. Interest earned from this loan receivable amounted to ₱1,320,219 and ₱1,691,778 in 2018 and 2017, respectively. As at December 31, 2018 and 2017, outstanding balance of loans receivable amounts to ₱nil and ₱24,285,714, respectively. RMMI mortgaged the Nacional Memorial Homes to the Trust Fund to secure the loan in 2017.

NOTE 11 - FINANCIAL ASSET THROUGH FVOCI

This account consists of various investments which are stated at fair value as follows:

	Amount
Fixed rate treasury notes (FXTNs)	₱ 85,244,134
Republic of the Philippines (ROP) dollar bonds	72,600,540
	₱ 157,844,674

Fair values of these financial assets are determined using level1 inputs.

FXTNs are subject to 18.25% interest rate which will mature on November 29, 2025.

Investment in ROP dollar bond has fair value of $1,380,763 (@52.58) as at December 31, 2018. These are subject to 10.625% interest rate and will mature on March 16, 2025.

Interest income recognized from these investments in 2018 amounts to ₱12,861,668.

NOTE 12 - AVAILABLE FOR SALE INVESTMENT (2017)

This account consists of various investments which are stated at fair value as follows:

		Amount
Fixed rate treasury notes (FXTNs)	₱	95,067,836
Republic of the Philippines (ROP) dollar bonds		75,430,029
	₱	170,497,865

Fair values of these financial assets are determined using level1 inputs.

FXTNs are subject to 18.25% interest rate which will mature on November 29, 2025.

Investment in ROP dollar bond has fair value of $1,510,716 (@49.93) as at December 31, 2017. These are subject to 10.625% interest rate and will mature on March 16, 2025.

Interest income recognized from these investments in 2017 amounts to ₱12,652,548.

NOTE 13 - PROPERTY AND EQUIPMENT - NET

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016, of property and equipment is shown below:

2018

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2018	₱ 65,607,788	₱ 39,285,581	₱ 48,000	₱ 104,941,369
Additions	-	3,871,419	-	3,871,419
Disposals	-	-	-	-
December 31, 2018	65,607,788	43,157,000	48,000	108,812,788
Accumulated depreciation				
January 01, 2018	58,899,618	30,557,153	33,600	89,490,371
Depreciation expense	2,052,487	858,455	9,600	2,920,542
Disposals	-	-	-	-
December 31, 2018	60,952,105	31,415,608	43,200	92,410,913
Carrying amount December 31, 2017	₱ 6,708,170	₱ 8,728,428	₱ 14,400	₱ 15,450,998
Carrying amount December 31, 2018	**₱ 4,655,683**	**₱ 11,741,392**	**₱ 4,800**	**₱ 16,401,875**

2017

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2017	₱ 65,607,788	₱ 31,177,747	₱ 48,000	₱ 96,833,535
Additions	-	8,107,834	-	8,107,834
Disposals	-	-	-	-
December 31, 2017	65,607,788	39,285,581	48,000	104,941,369
Accumulated depreciation				
January 01, 2017	55,619,229	28,810,048	24,000	84,453,277
Depreciation expense	3,280,389	1,747,105	9,600	5,037,094
Disposals	-	-	-	-
December 31, 2017	58,899,618	30,557,153	33,600	89,490,371
Carrying amount				
December 31, 2016	₱ 9,988,559	₱ 2,367,699	₱ 24,000	₱ 12,380,258
Carrying amount				
December 31, 2017	**₱ 6,708,170**	**₱ 8,728,428**	**₱ 14,400**	**₱ 15,450,998**

The carrying values of the property and equipment approximate their fair values. No revaluation was made on the value of the properties and equipment.

None of the property and equipment of the Trust Fund was used as collateral for loan.

NOTE 14 - PAYABLES

This account consists of:

	2018	2017
Payable to general fund	₱ **101,086,644**	₱ 92,207,658
Accrued expenses	**8,684,724**	6,340,101
Withholding tax payable	**553,842**	565,577
Deferred VAT output	**694,920**	-
	₱ **111,020,130**	₱ 99,113,336

Payable to general fund pertains to funds to be remitted to the General Fund as a result of the variation agreement between HPMC and RMMI signed June 27, 2014 (Note 22).

Deferred VAT output pertains to output VAT on outstanding receivables. These are subsequently reclassified to VAT output payable upon collection.

Details of accrued expenses are as follow:

	2018	2017
Maintenance fee	₱ **5,910,653**	₱ 5,123,856
Security services	**1,796,125**	872,346
Water consumption	**214,420**	195,883
Accounting services	**127,680**	127,680
Trust fees	**635,846**	20,336
	₱ **8,684,724**	₱ 6,340,101

NOTE 15 - UNEARNED REVENUES

Details of this account are as follows:

		2018		2017
Current portion of unearned revenues	₱	10,318,546	₱	1,179,244
Long-term portion		23,688,938		-
	₱	34,007,484	₱	1,179,244

Movement of unearned revenues follows:

		2018		2017
Beginning of the year	₱	1,179,244	₱	9,827,031
Additions		42,694,579		-
Amortization		(9,866,339)		(8,647,787)
Balance at the end of year	₱	34,007,484	₱	1,179,244

This account pertains to advance rental received from Pilipinas Shell Petroleum Corporation related to lease contract executed last August 13, 2014. (Note 20).

NOTE 16 - FUNDS AND CONTRIBUTION

This account consists of:

		2018		2017
Initial amount allocated to PCF	₱	300,525,000	₱	300,525,000
Reserve heritage certificates		56,382,852		56,382,852
Additional contributions		470,282,370		469,525,656
	₱	827,190,222	₱	826,433,508

The Trust recognized additional contributions of ₱46,517,706 in 2015 which are proceeds for prior transactions received during the period as a result of the settlement of accounts between RMMI and HPMC as agreed upon in compromise agreement (Note 21). These are Perpetual Care Fund contributions of 12% in relation to the sale of PCF products, lots in Area 2, CDA and Pavilion.

Below are the details of the increase:

		Amount
PCF Product	₱	3,151,459
PCF - Area 2		1,614,501
PCF – CDA		11,804,933
PCF - Pavilion		29,946,813
	₱	46,517,706

NOTE 17 - REVENUE

This account consists of interest income on investments, loan and deposits and other income.

Interest income on investments, loan and deposits consist of:

		2018		2017
Interest income from:				
Savings account	₱	2,200	₱	2,174
CTD/PSA		4,416,275		2,167,725
FXTN/Bonds		12,861,668		12,652,548
Loans		1,320,219		1,691,778
	₱	18,600,362	₱	16,514,225

Other incomes of the Trust Fund are as follows:

		2018		2017
Rental income	₱	**15,536,970**	₱	14,082,674
Share on utilities		**9,632,865**		7,270,922
Share on interment		**5,490,000**		4,990,000
Foreign exchange gains		**4,697,386**		304,548
Share on oil products (Note 20)		**355,130**		-
	₱	**35,712,351**	₱	26,648,144

NOTE 18 - OPERATING EXPENSES

This account consists of:

		2018		2017
Repairs and maintenance	₱	**12,624,433**	₱	13,878,222
Light and water		**12,350,793**		10,750,427
Security services		**10,526,647**		9,541,207
Management fee		**8,427,859**		8,400,000
Depreciation		**2,920,542**		5,037,094
Trust fee		**2,535,962**		2,474,370
Commission		**1,122,072**		-
Professional fees		**512,500**		888,300
Appropriated operating funds		**240,000**		725,000
Insurance		**234,215**		30,176
Rent expense		**87,500**		-
Fines and penalties		**-**		20,000
Miscellaneous		**35,000**		149,886
	₱	**51,617,523**	₱	51,894,682

NOTE 19 - OTHER COMPREHENSIVE INCOME

Unrealized Gain on FVOCI

This account pertains to increases and decreases in the fair values of the investments held by the Trust Fund during a given period. As at December 31, 2018, net unrealized gain on FVOCI investments reported under equity amounted to ₱49,280,811.

Breakdown of this account is as follows:

		Amount
Fixed rate treasury notes (FXTNs)	₱	27,466,634
Republic of the Philippines (ROP) dollar bonds		21,814,177
	₱	49,280,811

Unrealized Gain on AFS Investments (2017)

This account pertains to increases and decreases in the fair values of the investments held by the Trust Fund during a given period. As at December 31, 2017, net unrealized gain on AFS investments reported under equity amounted ₱64,597,622.

Breakdown of this account is as follows:

		Amount
Fixed rate treasury notes (FXTNs)	₱	37,120,123
Republic of the Philippines (ROP) dollar bonds		27,477,499
	₱	64,597,622

NOTE 20 - LEASE AGREEMENT

On August 13, 2014, the Trust Fund entered into lease agreement through its representative Heritage Park Management Corporation (HPMC) with Pilipinas Shell Petroleum Corporation (SHELL). The Trust Fund leased to SHELL a portion of the parcel of land located along C-5 Road Southbound, Fort Bonifacio, Taguig City, containing an area of Two Thousand Seven Hundred Twenty-Five (2,725) square meters, more or less, as site for full service gasoline station. The term of the lease agreement is Twenty (20) years commencing in February 2017. The fixed amount of rent is ₱288.50 per square meter per month and subject to escalation rate of 5% per annum starting on the second year.

The agreement provides for the payment of security deposit amounting to ₱10,094,326 in 2018 and 2017. Additional requirement of the agreement is the payment of advance rental equivalent to the fixed rent for the first (1st) year of the contract and second (2nd) to fifth (5th) year inclusive of the annual 5% escalation rate (see Note 15).

Total rent income earned from this lease agreement which is presented under the statements of revenue and expenses amounts to ₱9,866,339 and ₱8,647,788 in 2018 and 2017, respectively.

Future minimum lease receivables under such operating lease are as follows:

	2018	2017
Not later than one year	₱ 10,318,546	₱ 9,866,339
Later than one year but not later than five years	59,135,422	56,543,832
Later than five years	211,724,938	224,635,074
	₱ 281,178,906	₱ 291,045,245

NOTE 21 - VARIATION AGREEMENTS

On June 27, 2014, the Trust Fund through its representative Heritage Park Management Corporation (HPMC) entered into variation agreement with Rosehills Memorial Management Philippines, Inc. (RMMI).

The following are the more significant terms and conditions of the agreement:

- *Settlement of Arbitral Award.* The parties agreed to abide by, respect and settle the arbitral awards. Whereas HPMC will pay the amount of ₱186,060,253 to RMMI for management and maintenance fee and on the other hand RMMI will remitted back the amount of ₱87,086,561 to HPMC for the over remittance of operating fund "management and maintenance fund".

- *Settlement of Fees Dues Up to December 2013.* The parties further agree that the management and maintenance fee due to RMMI for the period June 2012 to December 2013 shall be ₱2,500,000.

- *Management Fee.* HPMC agrees to pay RMMI a management fee of ₱700,000 a month for the overall management and maintenance of the Park. The amount shall be subject to escalation every two years, at a rate that shall be agreed upon by both parties and subject to regular review.

- *Earning/Income of PCF.* The parties hereby agree that ₱10,000 of the payment for every interment conducted in the Park shall be remitted to and shall constitute earnings of income of the Perpetual Care Fund established for the long-term maintenance of the Park. The amount shall be subject to escalation in the same manner of the management fee.

- *Additional Park Lease Payments.* The parties agree that RMMI shall pay, for all areas or lots situated at the Park utilized by it as of the date of execution of the Agreement that are related or attributable to the park maintenance, a nominal or concessional lease payment in the amount of ₱10,000 monthly. For areas or lots situated at the Park that RMMI utilizes as of the execution of this Agreement that are solely devoted to the business enterprise of RMMI and are in no way related to the upkeep and maintenance of the Park, RMMI shall pay a standard lease payment in the amount of ₱50,000 monthly. These leases shall be paid and remitted to the Perpetual Care Fund as earnings or income of the Perpetual Care Fund.

NOTE 22 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE UNDER REVENUE REGULATION NO. 15-2010

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding pages.

(a) Value-added Tax

The Company is registered under the VAT law. Detailed classification of input and output VAT are as follows:

		Amount
Total output VAT	₱	7,548,874
Total input VAT		4,859,852

Total VAT payment made by the Company for the year ended December 31, 2018 amounted to ₱nil

(b) Withholding Taxes

Withholding taxes paid and accrued during the year is as follows:

		Amount
Withholding tax at source (expanded)	₱	1,940,718

(c) Tax Assessments and Cases

The Organization did not receive any Letter of Authority or Tax Verification Notice from the Bureau of Internal Revenue (BIR) during the period. It has no pending