HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST

FINANCIAL STATEMENTS
December 31, 2023 and 2022

and

Report of Independent Auditors

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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, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at December 31, 2023 and 2022, 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 *Auditor's 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, 2023 required by the Bureau of Internal Revenue as disclosed in Note 23 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**
MANAGING PARTNER

CPA License No. 0054588
Tax Identification No. 212-955-173-000
PTR No. 1533625, Issued on January 4,2024, Manila City
SEC Accreditation No:
Partner – 54588-SEC Group B, issued on December 1, 2022,
valid for five (5) years covering the audit of 2022 to 2026 financial statements
Firm – 0222-SEC, Group B, Issued on December 1, 2022,
valid for five (5) years covering the audit of 2022 to 2026 financial statements
BIR Accreditation No. 04-003494-2024, issued on March 11, 2024,
valid for three (3) years until March 10, 2027
IC Accreditation No.
Partner -54588-IC, Group B, issued on December 3, 2020
valid for five (5) years covering the audit of 2020 to 2024 financial statements
Firm -0222-IC, Group B, issued on December 3, 2020
valid for five (5) years covering the audit of 2020 to 2024 financial statements
BOA/PRC Cert. of Reg. No. 0222, issued on October 13, 2023 valid until October 12, 2026

Manila, Philippines
April 18, 2024

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	Notes		**2023**		2022
ASSETS					
Current Assets					
Cash and cash equivalents	*4,5,6*	₱	**173,252,113**	₱	95,162,559
Receivables	*4,5,7*		**33,366,362**		49,356,313
Inventory	*4,8*		**240,507,550**		242,566,223
Other current assets	*4,9*		**41,782,505**		52,197,367
Total Current Assets			**488,908,530**		439,282,462
Non-Current Assets					
Financial asset through FVOCI	*4,5,10*		**194,854,811**		224,573,726
Property and equipment, net	*4,5,11*		**24,547,120**		25,869,422
Other non-current asset	*4.5,12*		**2,600,000**		2,600,000
Total Non-Current Assets			**222,001,931**		253,043,148
TOTAL ASSETS		₱	**710,910,461**	₱	692,325,610
LIABILITIES AND EQUITY					
Current Liabilities					
Payables	*4,5,13*	₱	**100,276,856**	₱	110,303,317
Unearned revenues-current	*4,14*		**1,053,533**		-
Total Current Liabilities			**101,330,389**		110,303,317
Non-Current Liabilities					
Security deposit	*4,20*		**10,094,326**		10,094,326
Total Liabilities			**111,424,715**		120,397,643
Equity					
Funds and contributions	*4, 15*		**832,363,229**		829,657,336
Other comprehensive income	*4,19*		**41,310,516**		36,298,893
Accumulated Deficits	*4*		**(274,187,999)**		(294,028,262)
Equity, net			**599,485,746**		571,927,967
TOTAL LIABILITIES AND EQUITY		₱	**710,910,461**	₱	692,325,610

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF COMPREHENSIVE INCOME

For The Years Ended December 31, 2023 and 2022

	Notes	**2023**	2022
REVENUES	*4,16*		
Rental income		**₱ 19,630,625**	₱ 19,164,475
Other income, net		**70,437,516**	53,607,264
Interest income		**9,182,460**	5,451,605
Total Revenues		**99,250,601**	78,223,344
EXPENSES	*4,17*	**73,708,887**	63,497,939
NET INCOME BEFORE TAX		**25,541,714**	14,725,405
INCOME TAX EXPENSE		**5,701,451**	2,855,830
NET INCOME AFTER TAX TAX		**19,840,263**	11,869,575
OTHER COMPREHENSIVE INCOME (LOSS)	*4,19*		
Items that may be reclassified subsequently to profit and loss			
Fair value gain (loss) on financial assets through FVOCI		**5,011,623**	(8,556,336)
TOTAL COMPREHENSIVE INCOME		**₱ 24,851,886**	₱ 3,313,239

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF CHANGES IN EQUITY

For The Years Ended December 31, 2023 and 2022

		2023		2022
FUNDS AND CONTRIBUTION				
Balance at beginning of year	₱	**829,657,336**	₱	826,639,014
Additional contributions		**2,705,893**		3,018,322
Balance at end of year		**832,363,229**		829,657,336
ACCUMULATED DEFICITS				
Balance at beginning of year		**(294,028,262)**		(305,897,837)
Net income		**19,840,263**		11,869,575
Balance at end of year		**(274,187,999)**		(294,028,262)
OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at beginning of year		**36,298,893**		44,855,229
Unrealized gain for the year		**5,011,623**		(8,556,336)
Balance at end of year		**41,310,516**		36,298,893
TOTAL EQUITY	₱	**599,485,746**	₱	571,927,967

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2023 and 2022

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		₱ **26,401,426**	₱ 14,768,418
Adjustment to reconcile net income to net cash provided by operating activities:			
Net fair value adjusments	*4,10,18*	**34,730,538**	(86,095,395)
Depreciation	*4,5,11*	**2,002,908**	1,748,601
Operating income (loss) before changes in working capital		**63,134,872**	(69,578,376)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	*4,5,7*	**15,989,951**	(12,600,297)
Inventory - securities	*4,8*	**2,058,673**	2,389,576
Prepayments and other current assets	*4,9*	**3,864,053**	(2,015,126)
Increase (Decrease) in:			
Payables	*4,5,13*	**(10,026,460)**	9,401,835
Unearned revenues	*4,14*	**1,053,533**	(1,389,940)
Net cash provided by (used in) operating activities		**76,074,622**	(73,792,328)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*4,5,11*	**(680,606)**	(7,975,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional funds and contributions	*4, 15*	**2,705,893**	3,018,322
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**78,099,909**	(78,749,452)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**95,162,559**	173,912,011
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		₱ **173,262,468**	₱ 95,162,559

(See accompanying Notes to Financial Statements)

NOTE 1 - GENERAL INFORMATION

HERITAGE PARK PROJECT-PERPETUAL CARE FUND TRUST (The "Trust Fund") 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*."

On May 5, 2021, the Perpetual Care Fund Trust Agreement was terminated, and its trustee bank was transferred from Philippine National Bank to Land Bank of the Philippines.

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.

Approval of the Financial Statements

The financial statements of the Trust Fund for the year ended December 31, 2023, including its comparative figures as at December 31, 2022, were authorized for issue by the Management on April 18, 2024.

NOTE 2 - BASIS OF PRESENTATION

Statement of Compliance

The financial statements of the Trust Fund have been prepared in compliance with the *Philippine Financial Reporting Standard (PFRS)* issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the Securities and Exchange Commission (SEC), including SEC provisions. This financial reporting framework includes PFRS. Philippine Accounting Standard (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Basis of Preparation and Measurement

The Trust Fund has prepared the financial statements as at and for the year ended December 31, 2023 and 2022 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlements of liabilities in the ordinary course of business.

They are presented in Philippine Peso, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

The financial statements have been prepared on historical cost basis, unless stated otherwise.

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.

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 are described as follows:

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

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, 2023.

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.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules* – The amendments provide a mandatory temporary exemption for the accounting of the deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting Pillar Two model rules (Pillar Two income taxes). The amendments also introduce the disclosure requirements for the affected entities to enable users of the financial statements understand the extent to which an entity will be affected by the Pillar Two income taxes, particularly before its effectivity date.

New and Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted

Relevant new and amended PFRS and PIC issuances, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Trust Fund shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

- PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)" until December 31, 2023.

- PIC Q&A 2018-12-E, *Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

  On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E" until December 31, 2023.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

- 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. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation,* which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information*– The amendment adds a transition option for a "classification overlay" to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall 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.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS and PIC issuances is not expected to have any material effect on the financial statements of the Trust Fund. Additional disclosures will be included in the financial statements, as applicable.

NOTE 4 - SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies that have been used in the preparation of these financial statements are summarized below. These accounting policies information are considered material because of its amounts, nature and related amounts. These are material in understanding material information in the financial statement. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Trust Fund becomes a party to the contractual provisions of the instrument.

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

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 assets 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.

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, 2023 and 2022, the Trust Fund does not have financial assets or liabilities classified as 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 credit losses, 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.

As at December 31, 2023 and 2022, the Trust Fund's cash and cash equivalents and receivables are classified under this category. (Note 6 and 7)

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 as long as these are not held for trading purposes.

After initial recognition, Financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while credit losses on 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 to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2023 and 2022, the Trust Fund's financial assets classified as FVOCI are included in this category (Note 10).

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, 2023 and 2022, the Trust Fund's payable to general fund, accrued expense under payables and security deposits are classified under this category. (Note 13 and 19)

Reclassification

The Trust Fund reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI shall be recognize in profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets

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 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.

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.

Inventories

Inventories includes pavilion niches in area 2, Taguig and terrasauleum.

These are initially measured at cost. Costs of inventory include purchase price and all incidental cost necessary to bring the inventory to its saleable condition. Subsequently, inventories are reported in the statement of financial position at the lower of cost and net realizable value. Cost is calculated using the specific identification method.

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. Any reversal of impairment is recognized also in profit or loss.

Other Current Assets

Other current assets includes prepaid income taxes and input tax. Other current assets are stated in the statements of financial position at cost less any portion that has already been consumed or that has already expired.

Property and Equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives. Land is not depreciated.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Impairment of Non- Financial Assets

At each reporting date, non-financial assets 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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not to exceed 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 and loss.

Fund and Contribution

Fund and contribution consist of initial amount allocated to Perpetual Care Fund, reserve heritage certificates, and additional contributions of 12% in relation to the sale of PCF products.

Accumulated Deficit

Accumulated deficits represent accumulated losses incurred by the Company. It includes effect of changes in accounting policy as may be required by the standard's transitional provisions and effect of correction of prior period errors.

Cumulative Unrealized Gains on Financial Assets at FVOCI

This account pertains to accumulated unrealized fair value gain on financial assets at FVOCI and the corresponding deferred tax components. Unrealized gains on financial assets at FVOCI are recognized immediately in OCI and are included in equity when realized.

Revenue

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Trust Fund and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable excluding discounts, returns and sales taxes. Revenue is recognized either at a point in time or over a period of time.

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

Rental income are recognized on a straight-line basis over the lease term, detailed policy are discussed in the Trust Fund policy for leases.

Interest income

Interest income pertains to income on bank deposits. Interest income is recognized in profit and loss as it accrues, using the effective interest method.

Expenses

Expenses are decreases in economic benefits in the form of decreases in assets or increase in liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expenses are incurred.

Operating expense

Operating expenses includes general and administrative expenses. General and administrative expenses represent expenses such as repairs and maintenance, security services, management fees and other costs that cannot be associated directly to the services rendered.

Borrowing cost

Borrowing costs include interest and other charges related to borrowing arrangements.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Income Tax

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Leases

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Trust Fund assesses whether the contract meets three key evaluations which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the lessee;
- the lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the lessee has the right to direct the use of the identified asset throughout the period of use. The lessee assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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 comprehensive income on a straight-line basis over the lease term.

Foreign Currency Transaction

Foreign currency transactions are initially recognized using the spot rate of exchange at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currency are translated into the functional currency using the closing rate as of the reporting date. Gains and losses arising from foreign currency transactions and remeasurement of monetary assets and liabilities are recognized immediately in profit and loss.

Provisions and contingencies

Provisions are recognized only when the Trust Fund has a present obligation as a result of past event and it is probable that the Trust Fund will be required to transfer economic benefits in settlement; and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

Changes in accounting policies, change in accounting estimates and correction of prior years errors

The Trust Fund applies changes in accounting policy if the change is required by the accounting standards or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Trust Fund's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are accounted for retrospectively.

Changes in accounting estimates is recognized prospectively by reflecting it in the profit and loss in the period of the change if the change affects that period only or the period of the change and future periods if the change affects both.

Prior period errors are omissions from, and misstatements in, the Trust Fund's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Trust Fund corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Trust Fund restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Subsequent events

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. The judgement and accounting estimates and assumptions used in the financial statements are based upon management evaluation of related facts and circumstances as at reporting date. While the Trust Fund believes that the assumptions are reasonable and appropriate, significant difference in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following are the significant judgement, accounting estimates and assumptions by the Trust Fund:

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:

Assessment of Impairment of Non-financial Assets

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 on non-financial assets is recognized in the Trust Fund's financial statements in 2023 and 2022.

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.

Estimation of Allowance for Credit Losses

The measurement of the allowance for Credit Losses on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring Credit Losses is further detailed in Note 21.

Determination of Net Realizable Value of Inventories

At reporting date, the Trust Fund assesses the inventories for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Trust Fund considers important which could trigger an impairment review include significant decline in inventories' market value, obsolescence and physical damage of inventories. If such indications are present and where the cost of inventories exceeds its estimated selling price less costs to sell, an impairment loss is recognized in profit or loss.

No provisions for impairment of inventories were recognized in year 2023 and 2022.

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 in depreciating the property and equipment:

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

NOTE 6 - CASH AND CASH EQUIVALENTS

This account consists of:

		2023		2022
Cash in bank	₱	**10,540,329**	₱	7,298,117
Cash equivalents		**162,686,784**		87,839,442
Cash on hand		**25,000**		25,000
	₱	**173,252,113**	₱	95,162,559

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements which 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 0.125% to 1.63% per annum. Cash and cash equivalent are unrestricted and available for current operation. Interest earned from these financial assets amounted to ₱4,135,702 and ₱1,431,857 in 2023 and 2022, respectively (Note 16).

NOTE 7 - RECEIVABLES

This account consists of:

		2023		2022
Receivable from general fund	₱	**25,514,224**	₱	25,514,224
Utilities recovery		**3,295,084**		6,010,431
Accrued interest receivables		**3,391,309**		3,687,065
Receivable from sale of HPICs		**517,016**		862,678
Rental fee receivables		**29,329**		12,549,215
Interment share receivables		**526,400**		403,200
Transfer fees		**93,000**		329,500
	₱	**33,366,362**	₱	49,356,313

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

Utilities recovery pertains to the billed share of RMMI and The Fort Park Estate Inc. for the use of water and electricity.

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

Rental fee receivables pertain to unpaid rental from Pilipinas Shell for the lease of a parcel of land located along C-5 Road, Southbound, Fort Bonifacio, Taguig City amounting to ₱nil and ₱12,519,886 as of December 31, 2023 and 2022, respectively.

Interment share receivables pertain to the receivable from RMMI for the trust fund share on every interment made. This amounts to ₱10,000 per interment.

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

NOTE 8 - INVENTORY

This account consists of:

Location		2023		2022
Pavilion niches	₱	**93,483,168**	₱	95,541,841
Area 2		**25,049,166**		25,049,166
Taguig area		**61,714,286**		61,714,286
Terrasauleum		**60,260,930**		60,260,930
	₱	**240,507,550**	₱	242,566,223

Details per plan/lot/service of inventory is as follows.

		2023		2022
Niches	₱	**93,836,847**	₱	95,895,520
Estate		**117,205,944**		117,205,944
Garden		**19,846,203**		19,846,203
Lawn		**2,253,857**		2,253,857
Cremation Plot		**7,364,699**		7,364,699
	₱	**240,507,550**	₱	242,566,223

The total number of investment certificates for each location are as follows:

	2023	2022
Pavilion niches	**8,620**	8,901
Area 2	**554**	554
Taguig area	**36**	36
Terrasauleum	**114**	114
	9,324	9,605

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.

NOTE 9 - OTHER CURRENT ASSETS

This account consists of:

		2023		2022
Input VAT	₱	**27,369,932**	₱	33,996,472
Prepaid income tax		**13,948,001**		16,886,995
Deferred VAT input		**464,572**		1,313,900
	₱	**41,782,505**	₱	52,197,367

Input VAT pertains to accumulated Value Added Tax on purchases of goods and services.

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

Movement of prepaid income tax is as follows:

		2023		2022
Beginning balance	₱	**16,886,995**	₱	18,977,649
Addition for the year		**2,762,457**		765,176
Income tax expense		**(5,701,451)**		(2,855,830)
Ending balance	₱	**13,948,001**	₱	16,886,995

NOTE 10 - FINANCIAL ASSET THROUGH FVOCI

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

		2023		2022
Fixed rate treasury notes (FXTNs)	₱	**66,684,736**	₱	90,670,625
Republic of the Philippines (ROP) Dollar bonds		**128,170,075**		133,903,101
	₱	**194,854,811**	₱	224,573,726

FXTNs treasury notes are subject to 18.25% interest rate with maturity date on November 29, 2025.

Investment in ROP dollar bond has a fair value of $2,379,539 and $2,386,014 converted into peso using the BSP exchange rate of 55.567 to 1USD and 56.12 to 1USD as of December 31, 2023 and 2022, respectively. The two bonds are subject to 5.5% that will mature on March 30, 2026 and 10.625% interest rate which will mature on March 16, 2025.

Interest income recognized from these investments in 2023 and 2022 amounts to ₱5,040,806 and ₱4,014,793, respectively (Note 16).

NOTE 11 - PROPERTY AND EQUIPMENT - NET

A reconciliation in the carrying amounts at the beginning and end of 2023 and 2022, of property and equipment is shown below:

2023

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2023	₱ 65,607,788	₱ 63,432,056	₱ 165,285	₱ 129,205,129
Additions	-	593,000	87,606	680,606
Disposals	-	-	-	-
December 31, 2023	65,607,788	64,025,056	252,891	129,885,735
Accumulated depreciation				
January 01, 2023	65,607,788	37,661,195	66,724	103,335,707
Depreciation expense		1,952,372	50,536	2,002,908
Disposals	-	-	-	-
December 31, 2023	65,607,788	39,613,567	117,260	105,338,615
Carrying amount				
December 31, 2022	₱ -	₱ 25,770,861	₱ 98,561	₱ 25,869,422
Carrying amount				
December 31, 2023	**₱ -**	**₱ 24,411,489**	**₱ 135,631**	**₱ 24,547,120**

2022

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2022	₱ 65,607,788	₱ 55,547,056	₱ 74,839	₱ 121,229,683
Additions	-	7,885,000	90,446	7,975,446
Disposals	-	-	-	-
December 31, 2022	65,607,788	63,432,056	165,285	129,205,129
Accumulated depreciation				
January 01, 2022	65,607,788	35,923,863	55,455	101,587,106
Depreciation expense	-	1,737,332	11,269	1,748,601
Disposals	-	-	-	-
December 31, 2022	65,607,788	37,661,195	66,724	103,335,707
Carrying amount				
December 31, 2021	₱ -	₱ 19,623,193	₱ 19,384	₱ 19,642,577
Carrying amount				
December 31, 2022	**₱ -**	**₱ 25,770,861**	**₱ 98,561**	**₱ 25,869,422**

The carrying values of the property and equipment approximate their fair values. The Trust Fund has not entered into contractual commitment for the acquisition of property and equipment as at December 31, 2023 and 2022.

NOTE 12 - OTHER NON-CURRENT ASSET

Other non-current asset pertains to the Geographic Information System database of the Trust Fund which is under development stage. This amounts to ₱2,600,000 as of December 31, 2023 and 2022.

NOTE 13 - PAYABLES

This account consists of:

	2023	2022
Payable to general fund	**₱ 92,409,443**	₱ 92,409,443
Accrued expenses	**6,949,205**	8,678,778
Payable to contractors	**-**	6,162,800
Withholding tax payable	**495,076**	1,008,671
Deferred VAT output	**423,132**	2,043,625
	₱ 100,276,856	₱ 110,303,317

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 21).

Payable to contractor pertains on the unpaid construction of the sewage treatment plant and sequential batch reactor for the irrigation of the Heritage Park.

Details of accrued expenses are as follow:

		2023		2022
Maintenance fee	₱	**3,288,398**	₱	6,337,550
Security services		**1,637,114**		1,005,981
Utilities		**1,421,111**		909,640
Professional fee		**245,400**		250,626
Trustee fees		**357,182**		174,981
	₱	**6,949,205**	₱	8,678,778

Withholding tax payable pertains to expanded withholding tax that are due for remittance in the succeeding period.

Deferred VAT Output is the tax component of uncollected receivables. These will be remitted once collected.

NOTE 14 - UNEARNED REVENUES

Details of this account are as follows:

		2023		2022
Current portion of unearned revenues	₱	**1,053,333**	₱	-
Non-current portion		**-**		-
	₱	**1,053,333**	₱	-

Movement of unearned revenues follows:

		2023		2022
Beginning of the year	₱	**-**	₱	1,389,940
Additions		**5,267,666**		-
Amortization		**(4,214,133)**		(1,389,940)
Balance at the end of year	₱	**1,053,333**	₱	-

This account pertains to advance rental received from Pilipinas Shell Petroleum Corporation for the lease of the Trust Fund's property located a C-5 Road South bound, Fort Bonifacio, Taguig City (Note 20).

NOTE 15 - FUNDS AND CONTRIBUTION

Details of this account are as follows:

		2023		2022
Initial amount allocated to PCF	₱	**300,525,000**	₱	300,525,000
Reserve heritage certificates		**56,382,852**		56,382,852
Additional contributions		**475,455,477**		472,749,484
	₱	**832,363,229**	₱	829,657,336

The Trust recognized additional contributions of ₱46,517,706 in 2015. These are proceeds from prior years transactions received during the period as a result of the settlement of accounts between RMMI and HPMC as agreed upon in the 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.

NOTE 16 - REVENUES

Details of revenues are as follows:

		2023		2022
Rental	₱	**19,630,625**	₱	19,164,475
Other income, net		**70,437,516**		53,607,264
Interest income from:				
Savings account (Note 6)		**5,952**		4,955
CTD/PSA/Treasury bills (Note 6)		**4,135,702**		1,431,857
FXTN/Bonds (Note 10)		**5,040,806**		4,014,793
	₱	**99,250,601**	₱	78,223,344

Details of other income (losses) are as follows:

		2023		2022
Sale of lots	₱	**26,797,230**	₱	-
Sale of pavilion niches*		**17,784,542**		19,744,781
Share on utilities		**12,767,050**		9,866,336
Foreign exchange gains (losses)		**(1,637,748)**		14,230,509
Share on interment		**5,960,000**		4,770,000
Share on sale of oil products		**1,752,156**		1,301,442
Income from transfer fees		**7,014,286**		3,694,196
	₱	**70,437,516**	₱	53,607,264

**sale of pavilion niches is net of cost of sale amounting to ₱2,058,673 and ₱2,389,576 in 2023 and 2022, respectively.*

NOTE 17 - EXPENSES

Details of expenses are as follows:

		2023		2022
Repairs and maintenance	₱	**18,524,503**	₱	18,549,509
Light and water		**18,063,779**		14,856,693
Security services		**12,636,095**		11,633,162
Management fee		**8,400,000**		8,400,000
Commission		**7,540,982**		4,527,482
Professional fees		**4,140,737**		1,460,867
Depreciation (Note 11)		**2,002,908**		1,748,602
Trust fee		**1,305,233**		1,231,664
Appropriated operating funds		**1,017,500**		1,027,557
Credit losses		**-**		1,864
Annual meeting expense		**2,994**		-
Miscellaneous		**74,156**		60,539
	₱	**73,708,887**	₱	63,497,939

NOTE 18 - INCOME TAX

The reconciliation of tax on pre-tax income computed at statutory tax rates to expense are as follows:

		2023		2022
Income before income tax	₱	**25,541,714**	₱	14,725,405
Interest income subject to final tax		**(9,182,460)**		(5,451,605)
Unrealized foreign exchange loss		**1,637,748**		
Total taxable income		**17,997,002**		9,273,800
Ceiling		**8,000,000**		8,000,000
Excess subject to 35%		**9,997,002**		1,273,800
		3,498,951		445,830
Tax due 8M bracket		**2,202,500**		2,410,000
Total tax due		**5,701,451**		2,855,830
Less:				
Tax withheld		**-**		-
Prior years excess credits		**(16,886,995)**		(18,977,649)
Creditable withholding tax		**(2,762,457)**		(765,176)
Excess tax credit (Note 9)	₱	**(13,948,001)**	₱	(16,886,995)

NOTE 19 - OTHER COMPREHENSIVE INCOME

This account pertains to increases (decreases) in the fair values of the investments held by the Trust Fund during a given period. As at December 31, 2023 and 2022, net unrealized gain on FVOCI investments reported under equity amounted to ₱41,310,516 and ₱36,298,893, respectively.

Breakdown of this account is as follows:

		2023		2022
Fixed rate treasury notes (FXTNs)	₱	**33,015,463**	₱	22,270,814
Republic of the Philippines (ROP) dollar bonds		**8,295,053**		14,028,079
	₱	**41,310,516**	₱	36,298,893

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 2023 and 2022. 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 (Note 14).

Total rent income earned from this lease agreement which is presented under the statements of comprehensive income amounts to ₱12,592,227 and ₱12,426,952 in 2023 and 2022, respectively.

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

		2023		2022
Not later than one year	₱	**14,808,459**	₱	15,597,128
Later than one year but not later than five years		**85,917,388**		77,985,639
Later than five years		**161,576,133**		124,777,023
	₱	**262,301,980**	₱	218,359,700

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 Due 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 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

The Trust Fund is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

Foreign Currency Risk

The Trust Fund's exposure to the risk for changes in foreign exchange rates relates primarily to the Trust Fund's dollar denominated deposits.

The following table shows the Trust Fund US dollar- denominated monetary financial assets and their Philippine peso equivalent:

	2023		2022	
	Peso Equivalent	**Amount in Foreign Currency**	Peso Equivalent	Amount in Foreign Currency
Financial asset at amortized cost:				
Cash and cash equivalents	**₱ 13,936,806**	**$ 250,811**	₱ 4,603,924	$ 82,037

For purposes of restating the outstanding balances of the Trust Fund's foreign currency-denominated financial assets and liabilities as at December 31, 2023 and 2022, the exchange rate applied was ₱55.567 and ₱56.120 per US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Trust Fund's income before tax for the years ended December 31, 2023 and 2022 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Trust Fund's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2023	**+0.55**	**₱138,698**
	-0.55	**-138,698**
December 31, 2022	+5.35	₱438,898
	-5.35	-438,898

Interest Rate Risk

The Trust Fund's exposure to the risk for changes in interest rates relates primarily to the Trust Fund's bank accounts with local financial institutions with fixed interest rate. In 2023 and 2022. The Trust Fund has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Trust Fund's financial performance.

Liquidity Risk

The Trust Fund's exposure to liquidity risk is minimal. The Trust Fund's objective is to maintain a balance between continuity of funding. In addition, the Trust Fund regularly evaluates its projected and actual cash flows.

The following table presents the maturity profile of the Trust Fund's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments.

	December 31, 2023						
	Within 1 Year	**1 to 2 Years**	**2 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**No fixed maturity date**	**Total**
Payables*	**₱ 6,949,205**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ 92,409,443**	**₱ 99,358,648**
Security deposit	**-**	**-**	**-**	**-**	**10,094,326**	**-**	**10,094,326**
	₱ 6,949,205	**₱ -**	**₱ -**	**₱ -**	**₱ 10,094,326**	**₱ 92,409,443**	**₱ 109,452,974**

	December 31, 2022						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 5 Years	More than 5 Years	No fixed maturity date	Total
Payables*	₱ 14,841,578	₱ -	₱ -	₱ -	₱ -	₱ 92,409,443	₱ 107,251,021
Security deposit	-	-	-	-	10,094,326	-	10,094,326
	₱14,841,578	₱ -	₱ -	₱ -	₱ 10,094,326	₱ 92,409,443	₱ 117,345,347

* *Amounts are exclusive of nonfinancial liabilities amounting to ₱918,208 and ₱3,052,296 as at December 31, 2023 and 2022, respectively.*

Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Trust Fund. The Trust Fund is exposed to this risk for various financial instruments arising from services to customers and certificate holders; placing deposits with banks; and, investing in bonds and treasury bills that are carried at FVOCI.

The Trust Fund continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Trust Fund's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from other financial assets of the Trust Funds, which comprise cash and cash equivalents and receivables, the Trust Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Trust Fund limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Management. The Trust Fund's exposure on rental deposit is minimal since no default in payments were made by the counterparties.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position. The maximum exposure is shown at gross amount, without taking into account collateral and other credit enhancement.

	2023	2022
Cash and cash equivalents	**₱ 173,227,113**	₱ 95,162,559
Receivables	**33,366,362**	49,356,313
	₱ 206,593,475	₱ 144,518,872

The credit quality of the financial assets is managed by the Trust Fund using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Trust Fund to collect are considered substandard grade accounts.

None of the Trust Fund's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

Cash

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

Receivables

The Trust Fund applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the receivables. The Trust Fund has therefore concluded that it is not necessary to provide allowance for expected credit loss due to the nature of its receivables.

Capital Management

The primary objective of the Trust Fund's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Trust Fund considers its net equity totaling ₱599,485,746 and ₱571,927,967 as at December 31, 2023 and 2022, respectively as its capital employed. The Trust Fund maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns over the long term. No changes were made in the objectives, policies or processes during the years ended December 31, 2023 and 2022.

Fair Value Measurement

The following table presents the carrying amounts and fair values of the Trust Fund's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2023			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash and cash equivalents	6	₱ 173,252,113		₱ 173,252,113	
Receivables	7	33,366,362		33,366,362	
		₱ 206,618,475		₱ 206,618,475	

		2023			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed:					
Payables*	**13**	**₱ 99,358,648**		**₱ 99,358,648**	
Security deposit	**20**	**10,094,326**		**10,094,326**	
		₱ 109,452,974		**₱ 109,452,974**	

		2022			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash and cash equivalents	6	₱ 95,162,559		₱ 95,162,559	
Receivables	7	49,356,313		49,356,313	
		₱ 144,518,872		₱ 144,518,872	
Liabilities for which fair values are disclosed:					
Payables*	13	₱ 107,251,021		₱ 107,251,021	
Security deposit	20	10,094,326		10,094,326	
		₱ 117,345,347		₱ 117,345,347	

The carrying amounts of cash and cash equivalents, receivables, payables, and security deposit approximate their fair values due to the short-term nature of these transactions.

NOTE 23 - RECONCILIATION ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Trust Fund's liabilities arising from financing activities, which includes both cash and non-cash changes.

	2023	2022
Balance as of January 1	**₱ 829,657,336**	₱ 826,639,014
Cash flow from Financing Activities:		
Additional contributions	**2,705,893**	3,018,322
Balance, December 31	**₱ 832,363,229**	₱ 829,657,336

NOTE 24 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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 and 34-2020 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 and 34-2020 are presented in the succeeding page:

(a) Value-added Tax

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

		Amount
Total output VAT	₱	13,006,688
Total input VAT		7,229,476

(b) Withholding Taxes

Expanded withholding taxes paid and accrued during the year amounts to ₱3,182,578.

(c) Tax Assessments and Cases

The Trust Fund has no pending Letter of Authority or Tax Verification Notice from the Bureau of Internal Revenue (BIR) during the period.

(d) Related party Transaction

The Trust Fund is not covered under Section 2 of the Revenue Regulation 34-2020 requirements and procedures for related party transaction, including filing of BIR Form 1709, Information Return on its Transactions with Related Party.