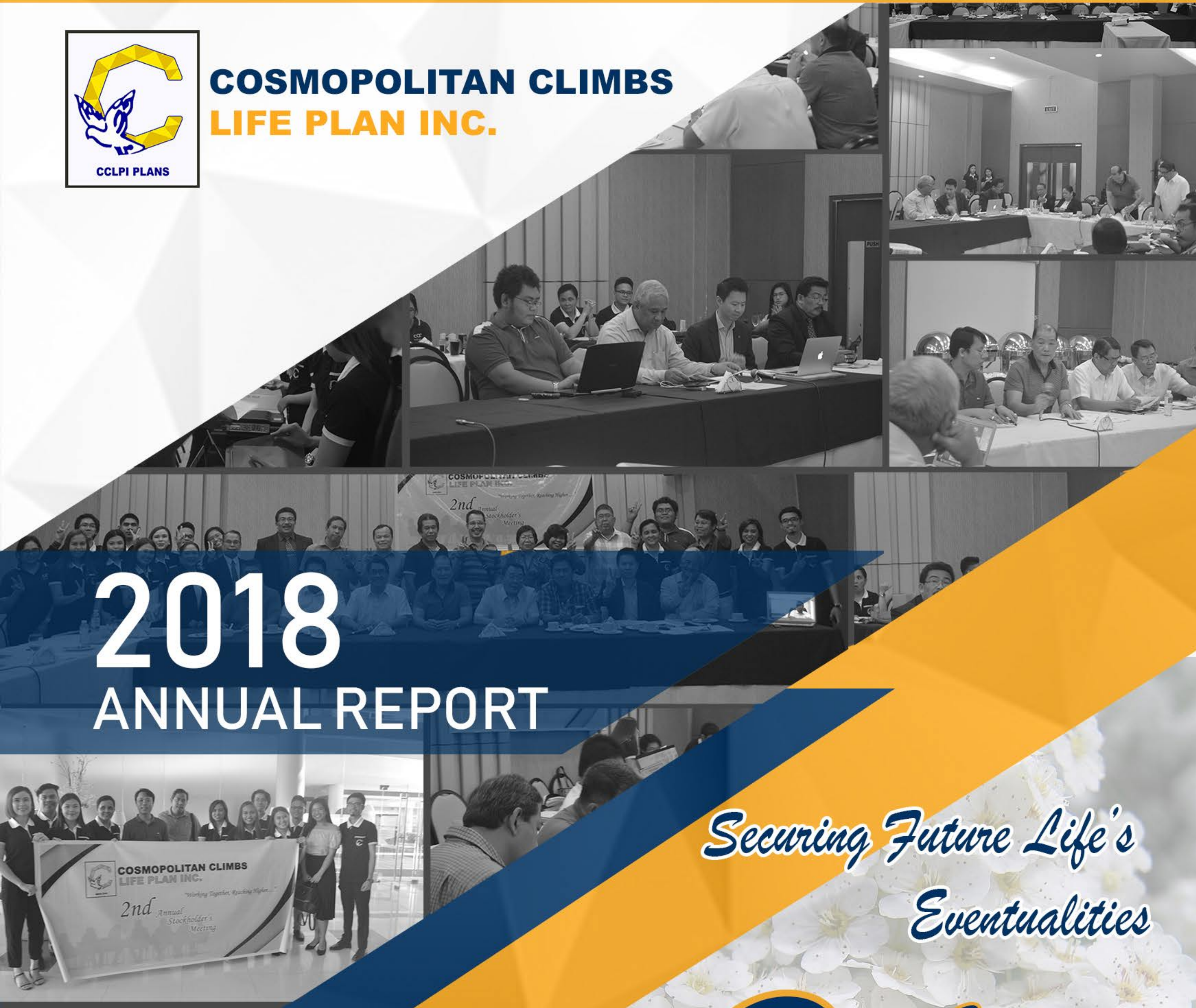
CCLPI PLANS

COSMOPOLITAN CLIMBS LIFE PLAN INC.



2018 ANNUAL REPORT

Securing Future Life's Eventualities

3rd CCLPI Annual Stockholder's Meeting

N-HOTEL
May 10, 2019, 10:00 AM
Kauswagan, Cagayan de Oro City

Who we are?

The union of two well renowned institutions CLIMBS Life & General Insurance Cooperative the champion of micro and grassroots insurance and COSMOPOLITAN Funeral Homes, Inc. the company of choice for people around the world who expect world class comfort and care.

Giving assurance for the welfare of its people, CLIMBS Life and General Insurance Cooperative, the champion of micro and grassroots insurance continues to expand its horizon by listening to the growing demands and needs of its people.
CLIMBS Life & General Insurance Cooperative was founded by the late Atty. Mordino Cua and Atty. Aquilino Pimentel Sr., to provide social protection to the cooperative members. From humble beginnings to date, CLIMBS grew into a cooperative with assets worth 3.21 billion pesos, life and non-life confirmation coverage of over 4 million.

COSMOPOLITAN Memorial Chapel is the specialist in family care and service in times of need. Since 1950, Cosmopolitan has been the company of choice for people from around the world who expect world class comfort and care makes it more bearable in the most hurting time in the family over 70 years. Increased the number of company branches at prime addresses in the country. To date, Cosmopolitan Funeral Homes Inc. is located in over 20 different key cities in the Philippines.

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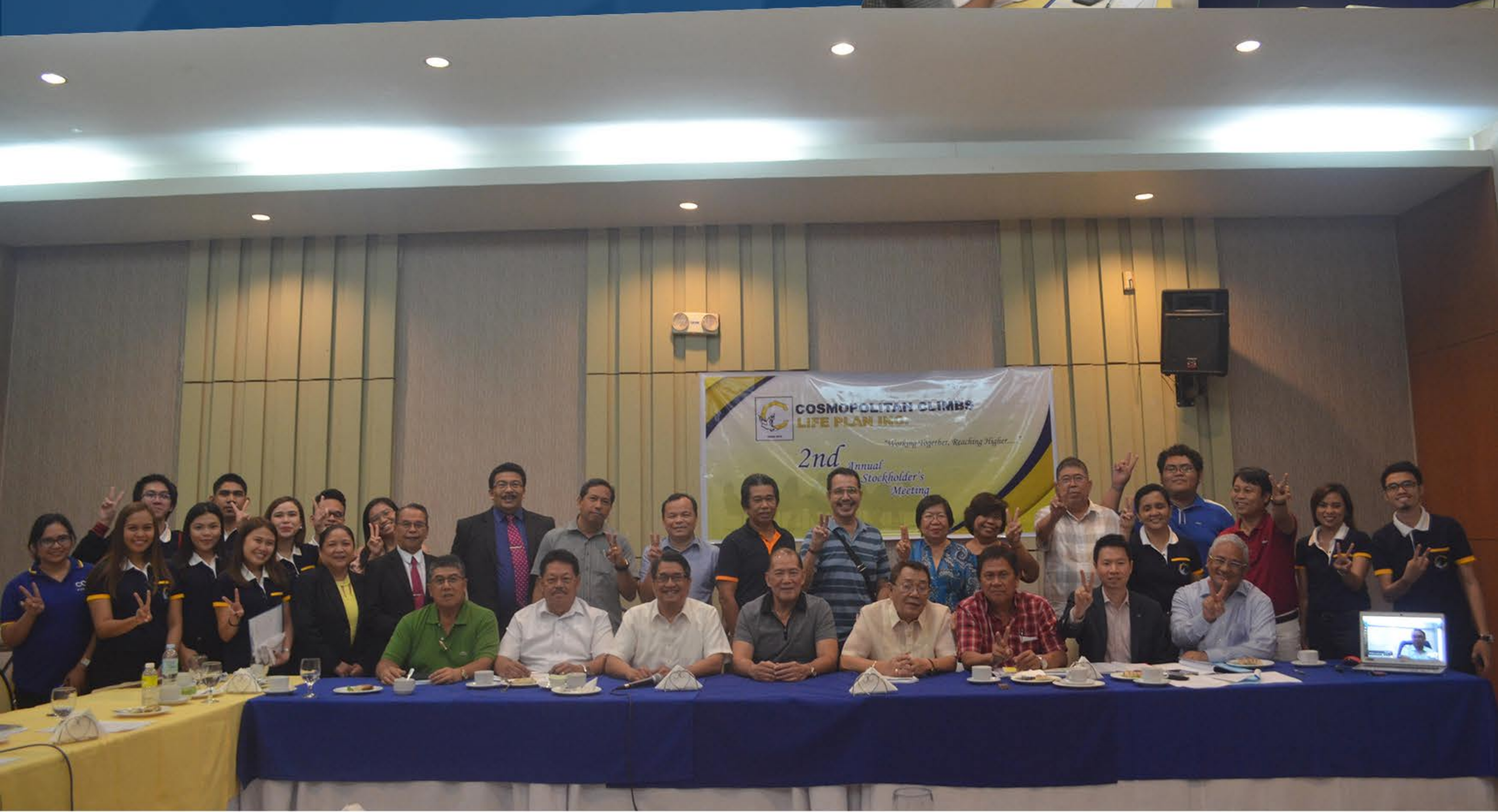

COSMOPOLITAN CLIMBS
LIFE PLAN INC.
2nd Annual Stockholder's Meeting

MESSAGE FROM THE COMMISSIONER

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Certificate Number: AJA18-0159

MESSAGE

The Insurance Commission congratulates Cosmopolitan CLIMBS Life Plan, Inc. ("CCLPI") on its Third (3^{rd}) Annual Stockholders' Meeting!

Indeed, as CCLPI's chosen theme for its Third (3^{rd}) Annual Stockholders' Meeting suggests, we, the present generation of Filipinos, are responsible for securing ourselves and our future generations against the uncertainties of future eventualities. The pre-need industry plays a significant part in ensuring the financial security and the equitable progress of our nation.

I hope that through this occasion, CCLPI will be reinvigorated in its resolve to continue its legacy of service by offering pre-need products that ensure the financial security of Filipinos. By continuing said legacy of service, not only will your company be safeguarding the lives of our people, but you will also be making a significant contribution to nation-building that is characterized by inclusive growth.

In behalf of the Insurance Commission, I express our very best wishes for the continued success of CCLPI.

Thank you very much!

DENNIS B. FUNA
Insurance Commissioner

MESSAGE FROM THE CHAIRMAN

As Chairman of the Board of the Cosmopolitan Climbs Life Plan, Inc. (CCLPI Plans) it is my privilege to present the Fiscal Year 2018 Annual Report. I am humbled and honored to work alongside a group of dedicated Trustees and the exceptional leadership team of the Angelica Life Plan product, a fixed value life plan with increasing memorial benefits

It is our firm belief that pre-funding a memorial service gives you peace of mind and make sense for 3 reasons: It lessens the emotional burden of your loved ones; It guarantees that your wishes are honored and your family will be relieved from any financial burden.

No year is without its challenges, and this one certainly had its share. The pre-need industry at its height had more than 100 companies registered with the Securities and Exchange Commission. Strict regulations were implemented when the industry was transferred to the supervision of the Insurance Commission. Today, only about 5 life plan companies are operating with a license to sell. So far, Cosmopolitan Climbs Life Plan, Inc. is the first and only life plan pre-need company approved by the Insurance Commission.

MR. RENATO S. DYCHANGCO JR.
Chairman of the Board

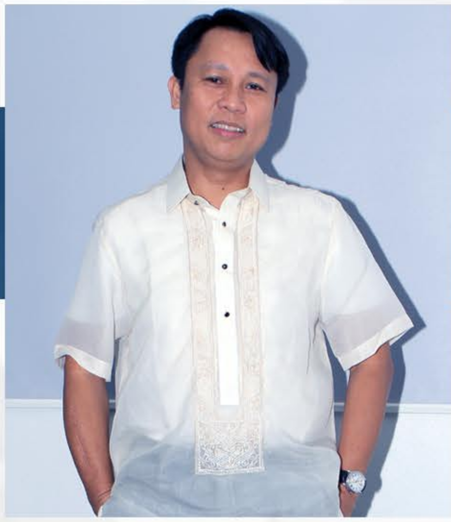
MESSAGE FROM THE CEO

My heartfelt congratulations to the 3rd Annual Stockholder's meeting of Cosmopolitan CLIMBS Life Plan, Inc. The enterprise is a joint venture between cooperatives led by CLIMBS and private corporations led by Cosmopolitan Funeral Parlor.

This enterprise is the first of its kind undertaken by a cooperative and corporation. There is a good reason for this undertaking for it will create synergy between this two important business sector. Hopefully, we can provide affordable and good funeral services for our members and the general public.

On this happy occasion, it is our hope that through our joint effort and with the blessing of God we can achieve GLORY.

MR. FERMIN L. GONZALES.
Chief Executive Officer



MESSAGE FROM THE CLIMBS PRESIDENT & CEO

MESSAGE

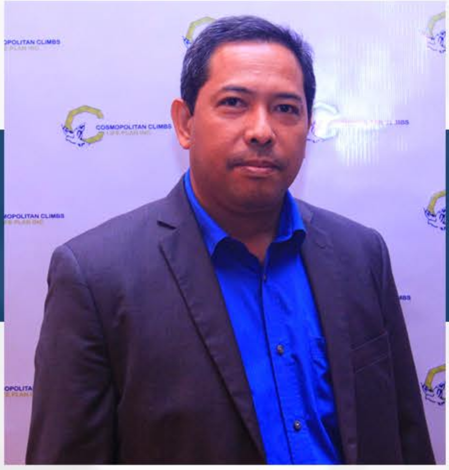
Certainly **Cosmopolitan CLIMBS Life Plan, Inc.** has abundance of reasons to celebrate its 3rd Annual Stockholders Assembly this May 10, 2019. Surviving and standing tall the arduous and trying years now is already enough and sufficient motivation to treasure and highlight this event in ***SECURING FUTURE LIFE'S EVENTUALITIES.***

But inarguably there is more to it than those years. Persevering those challenging years tested and purged you - it strengthened your resolve; toughened your bond, heightened your cooperation, nourished and broadened your creativity, and sharpened your focus towards your vision-emerging yourselves now glowing and oozing with incredible vigor in securing eventualities of our lives.

Confidently, with the CLIMBS Board of Directors and Management we believe you are facing the future with enthusiasm and optimism. Challenges ahead may be greater and more varied, yet the same ageless formula of unity, cooperation and sheer tenacity and determination will fare you well.

GODSPEED and CONGRATULATIONS CCLPi !!!

NOEL D. RABOY
President and CEO



MESSAGE FROM THE PRESIDENT & COO

One of the challenges we encountered this year is connecting and partnering with service providers as many as we can, with the help of the Philippine Mortuary Association (PMA) President, to ensure quality service to our clients. In addition, there is the need to collaborate our Angelica Life Plan with the existing in-house mortuary product of the cooperatives. We aim to complement our product with their in-house mortuary program and enhance marketing relationships with our cooperative partners.

Moving forward, we make the commitment to secure future life's eventualities of every coop members and the general public. Out of 110 million Filipinos, the senior citizen community comprises 5% of the total population. Based on published data from the Insurance Commission, only 720,000 individuals are covered with a pre-need plan. This data shows that there is still so much to do this year.

We position ourselves as a preneed product that offers affordable yet dignified funeral service through Angelica Life Plan and can be an alternative to the existing preneed plans available in the market.

Despite the challenges confronting the industry, I believe that it creates opportunities. We will continue to work together to grow and endlessly improve the sales performance of CCLPI Plans. We strongly believe that with the partnership of CLIMBS and Cosmopolitan Group, in due time we will become the key players in the market.

Together we face another exciting and promising year in 2019 to deliver on our vision to provide quality service to more and more grassroots people across the country. It is in this context that we need, more than ever, your renewed support.

It is with my heartfelt gratitude for the continued support and patronage of our shareholders.

And, I want to thank you for giving me a challenge this year. It is a challenge I humbly accepted when I was chosen as CCLPI Plans' President and Chief Operating Officer and for believing in the organization and for investing in our future. We are a company of the future.

Happy 3rd Annual Stockholders Meeting. God bless us all!

MR. MANSUETO V. DELA PEÑA
President & COO

BOARD OF DIRECTORS & OFFICER

MR. RENATO S. DYCHANGCO Jr.
Chairman

MGEN. GILBERT S. LLANTO
Vice-Chairman

Atty. Antonio Manuel A. Alcantara
Director

Mr. Alvin Tan Unjo
Director

Engr. Ronald G. Chan
Director

Mr. Exequil D. Robles
Director

Mr. Ferdinand Matthew D. Reyes
Director

Atty. Kerwin K. Tan
Director

Mr. Fermin L. Gonzales
Director

Mr. Augustus J.V. Ferreria
Independent Director

Atty. Daniel O. Evangelio Jr.
Corporate Secretary

CCLPI
MANAGEMENT TEAM

Mr. Fermin L. Gonzales
Chief Executive Officer

Mr. Mansueto V. Dela Peña
President & COO

Ms. Revecita P. Salarda
Operations Manager

Ms. Vida Marie Generao
Area Marketing Manager
Luzon

Ms. Maria Mercedes Dosdos
Area Marketing Manager
Visayas

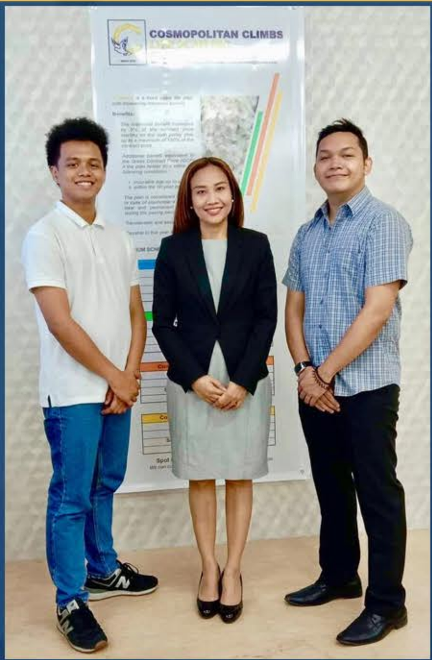
Ms. Christine P. Olalo
Area Marketing Manager
Mindanao

CCLPI
EMPLOYEES

MARKETING AND HEAD OFFICE TEAM

from left to right

- **LEIZEL G. BABIA**
  Accounting Clerk
- **SHIELA MAE A. ALINDAJAO**
  Marketing Assistant
- **DOLLY JANE B. ARGABIO**
  Finance Cashier
- **CHRISTINE P. OLALO**
  Area Marketing Manager- Mindanao
- **JUNMAR N. VERDEJO**
  Accountant/Bookkeeper
- **ROMEO U. ODARVE JR.**
  IT System Analyst
- **ALVIN J. DAMASCO**
  IT Personnel
- **MANSUETO V. DELA PEÑA**
  President & COO
- **MARK ANTHONY S. DONINA**
  Marketing Coordinator- Caraga
- **JED FRANCIS V. BULLECER**
  Marketing Coordinator- Bukidnon
- **JOHN MICHAEL M. URA-URA**
  Driver/Utility
- **GIO A. PEREZ**
  IT Personnel
- **JECTHEL P. SALAC**
  Admin Officer/Exec. Secretary
- **REVECITA P. SALARDA**
  Operations Manager
- **JEANLOU O. APDIAN**
  Marketing/Admin Assistant.

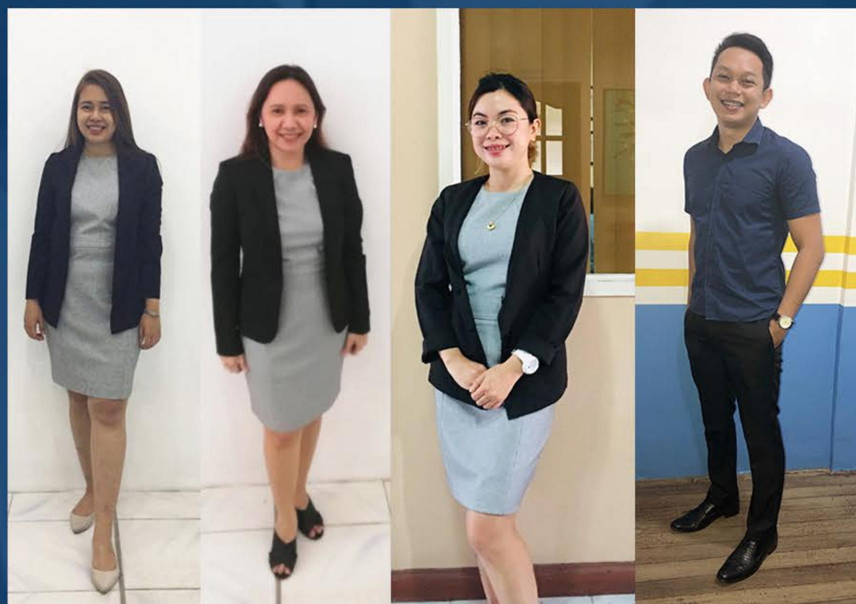


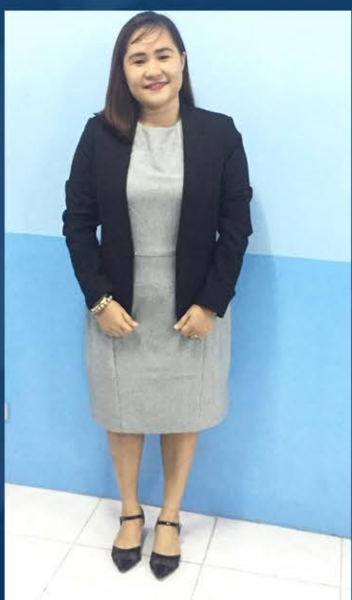
Luzon Office

- **JHON PAUL GALELA**
  Admin Assistant
- **VIDA MARIE GENERAO**
  Area Marketing Manager
- **JUAN ANTONIO DE DIOS**
  Marketing Coordinator

Visayas Office

- **MARIA MERCEDES DOSDOS**
  Area Marketing Manager
- **SHEILA MARIE VALLEJOS**
  Admin Assistant
- **GLENDA MARIE HORSTMAN**
  Marketing Coordinator - Bacolod City
- **ANTHONY NICOLAS ALCANTARA**
  Regional Marketing Manager





Davao Office

- **SALVE AMOR SUDARIO**
  Marketing Coordinator - Davao City

Minutes of the 2nd Stockholders Meeting
of
Cosmopolitan Climbs Life Plan, Inc.

Held on April 16, 2018 at the NHotel,
Kauswagan, Cagayan de Oro City

MINUTES OF THE 2nd STOCKHOLDERS REGULAR MEETING OF COSMOPOLITAN CLIMBS LIFE PLAN, INC. HELD ON APRIL 16, 2018 AT THE NHOTEL, KAUSWAGAN, CAGAYAN DE ORO CITY

ATTENDANCE

Present:

Mr. Renato "Oly" Dychangco Jr.	-	Chairman
MGen. Gilbert S. Llanto	-	Vice-Chairman
Atty. Antonio Manuel S. Alcantara	-	Member
Mr. Alvin Yap Tan Unjo	-	Member
Engr. Ronald G. Chan	-	Member
Atty. Kerwin K. Tan	-	Member
Mr. Fermin L. Gonzales	-	Member/Chief Executive Officer/President
Mr. Mansueto V. Dela Peña	-	Member/Chief Marketing Officer
Mr. Augustus Ferreria	-	Member

Excused:

Mr. Napoleon Sentillas	-	Member
Mr. Ferdinand Matthew D. Reyes	-	Member
Mr. Exequiel D. Robles	-	Member

Also Present:

Mr. Noel D. Raboy	-	President & Chief Operations Officer
Atty. Daniel O. Evangelio, Jr.	-	Corporate Secretary, Board of Directors
Mr. Pacienciano A. Tomarong	-	AIM Coop CEO
Mr. Vicente L. Rosal	-	AIM Coop BOD Member
Ms. Nilda C. Montecillo	-	AIM Coop Finance
Mr. Antonio R. Dosdos	-	CLIMBS VP-Sales
Mr. Raul M. Pregon	-	CLIMBS VP-CMO
Ms. Jhuben Nina D. Casino	-	External Affairs ACDI MPC
Mr. Sheigfred Roxas	-	Oro Integrated Cooperative BOD
Ms. Fe F. Cuenca	-	Oro Integrated Cooperative BOD
Mr. Floriano Hilot	-	Oro Integrated Cooperative CEO
Mr. Neciforio S. Abarquez	-	Santa Catalina Credit Cooperative BOD
Ms. Rosalina V. Bactol	-	Corporate Consultant
Mr. Darwin Ivan Carrasco	-	Actuarial Consultant
Ms. Revecita P. Salarda	-	Operations Manager
Ms. Christine P. Olalo	-	Area Marketing Manager – Mindanao
Ms. Mea anne Dyserie L. Ogsid	-	Admin Officer/Exec. Secretary
Mr. Junmar N. Verdejo, CPA	-	Bookkeeper/Accountant
Ms. Jecthel P. Salac	-	Admin Assistant
Mr. Romeo U. Odarve	-	IT Developer
Ms. Shiela Mae A. Alindajao	-	Cashier
Ms. Dolly Jane B. Argabio	-	Marketing Assistant
Mr. Alvin J. Damasco	-	IT Personnel
Mr. Gio A. Perez	-	IT Personnel
Mr. John Michael M. Ura-ura	-	Driver/Utility

II. CALL TO ORDER

The stockholders meeting started by an invocation which was led by the CCLPI staff and an opening remark from CEO Fermin Gonzales. Welcome address by President & COO Noel D. Raboy. Inspirational message from Chairman Renato "Oly" Dychangco Jr.

Chairman Renato "Oly" Dychangco, Jr. called the meeting to order at 1:00 PM.

II. PROOF OF NOTICE AND DECLARATION OF QUORUM

Chairman Renato Dychangco Jr. requested the Board Secretary to proceed with the determination of quorum.

The Corporate Board Secretary, Atty. Daniel O. Evangelio, Jr. informed the assembly that all the stockholders were notified.

The BOD Secretary reiterated to the assembly that based on Article 3, Section 5 of the By-Laws which states that "a quorum of the shareholders will consist of shareholders holding or representing (by proxy or corporate representative) at least eighty (80%) of the outstanding capital stock of common shares. Each shareholder agrees not avoid any meeting for the purpose of frustrating a quorum of the shareholders. If a meeting of the shareholders has been called within the period of time required by these By-laws and a quorum is not present or represented within a reasonable period of time scheduled for commencement of such shareholder's meeting, such meeting shall be adjourned to the same time and place in the next week, provided that the quorum for such subsequent shareholders meeting shall still be at least eighty percent (80%) of the outstanding capital stock of common shares."

Based on the actual attendance provided by the secretariat, more than 80% of the stockholders were in attendance.

Chairman Dychangco Jr. then announced that there is an authority to conduct the business meeting having achieved a quorum. With the 80% stockholders present, Chairman Dychango Jr. declared that the meeting is in quorum.

III. APPROVAL OF THE AGENDA

Chairman Dychangco Jr. presented the proposed agenda of meeting as follows:

I. Preliminaries/Call to Order
II. Proof of Notice and Declaration of Quorum
III. Approval of Agenda
IV. Reading and Consideration of Previous minutes of stockholders meeting
V. Annual Report
VI. Election of Directors (Including Independent Directors)
VII. Appointment of External Auditor
VIII. Consideration of such Other Business as May Properly Come Before the Meeting
IX. Communications Received
X. Adjournment

Resolution No. 01, Series of 2018

On Motion of Director Antonio Alcantara and duly seconded by CEO Fermin Gonzales it was:

RESOLVED, AS IT IS HEREBY RESOLVED*, to approve the agenda of the 2nd Stockholders Meeting.*

Motion Carried.

IV. READING AND APPROVAL OF THE MINUTES OF THE 1ST STOCKHOLDERS MEETING:

Resolution No. 02, Series of 2018

On motion made by Director Antonio Manuel Alcantara, and duly seconded by CEO Fermin Gonzales it was:

RESOLVED, AS IT IS HEREBY RESOLVED*, to dispense the reading of minutes of the 1ST Stockholder's Meeting.*

Motion Carried.

Resolution No. 03, Series of 2018

On motion made by Director Alvin Tan Unjo, and duly seconded by CEO Fermin Gonzales it was:

RESOLVED, AS IT IS HEREBY RESOLVED*, to approve the minutes of the previous Stockholders Meeting held on March 17, 2017.*

Motion Carried.

V. ANNUAL REPORT:

At this point, Chairman Dychangco Jr. called for comments and discussions.

The Chairman suggested to send in advance the Annual Report to the stockholders prior to the stockholder's meeting for their perusal.

Resolution No. 04, Series of 2018

On motion made by Director Antonio Manuel Alcantara, and duly seconded by Director Alvin Tan Unjo it was:

RESOLVED, AS IT IS HEREBY RESOLVED*, to approve the Financial Statements for the year 2017.*

Motion Carried.

V. ANNUAL UPDATES:

Vice-President & Chief Marketing Officer Mansueto V. Dela Pena gave the management update of Cosmopolitan CLIMBS Life Plan Inc as of April 13, 2018

	LUZON	VISAYAS	MINDANAO	HEAD OFFICE	TOTAL
NO. OF POLICIES SOLD	5	6	139	48	198
LICENSED ASSOCIATES	37	45	226		308
ACCREDITED FUNERAL HOMES	23	11	24		58

Director Augustus Ferreria suggested to include the target for the year in performance reporting. To develop better Key Performance Indicators (KPI's) (i.e. what is the target average number of policies per agents and how much is their average monthly sales) as essential comparative versus the actual performance of the company to see whether there is an improvement in the quality of the business or the number of policies.

VP & CMO Dela Pena responded that suggestions are noted, and reports will be improved. He continued to reiterate that the KPI which was based on the actuarial budget including the targets for the year was already presented during the last board meeting. Target sales at the end of the year is Php 120 M. He added, there is only Php 900,000 premium collected against the target of Php 120 M and thus it is very far from target. For the first year the target is to sell 5,000 policies. However, target for the number of recruited sales counselors was not yet determined.

Director Ferreria also further suggested not to use the straight-line method in setting target for the first year but instead to lower the target during the first two quarters because the company is still organizing and training people. One thing to do is to spread it to the remaining months.

President and COO Noel Raboy informed the assembly that the scheduled board meeting will follow right after the stockholders meeting to finalize the budget for the year. Supposedly, the result for this year's operation will be reported to the next stockholders meeting. Considering that last year 2017 was an organizing phase and no selling has happened. The actuary determined that a Php 100 M gross premium will give the company a break-even point and that is what the management will work on 2018.

CEO Gonzales assured the assembly that on May 2018 the management will formulate a marketing plan that will contain the strategies on how to meet the specified target for the year. Including the upcoming series of Investment Forum that will be conducted nationwide. He also reiterated the options that can be given to the cooperatives to convince them to buy Angelica Life Plan.

Chairman Dychangco Jr. asked the assembly for any additional remarks and discussions. There being none, the management updates are approved.

VII. NEW BUSINESS

The Chairman proceeded to item number VII, New Business.

A. Proposed Addendum

Director Atty. Kerwin Tan reiterated to the assembly the proposed amendment to the articles of incorporation to include in addition the term of doing business under the name of CCLPI Plans. The name abbreviation, CCLPI Plans, be officially recorded with SEC.

On motion made by Director Antonio Alcantara and duly seconded by Vice Chairman Gilbert Llanto, it was moved to adopt:

Resolution No. 05, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, *to amend the Articles of Incorporation Article 1 of the name to include doing business under the name CCLPI Plans.*

Motion Carried.

B. Concept of Micro Preneed Plan

President & COO Raboy gave a background of the MYMP - Group Yearly Renewable Term (GYRT) Insurance sold by CLIMBS and how the company came up with Angelica Life Plan, which was approved by the Insurance Commission as a five-year pay fixed value plan with increasing benefits. To go back again to the intention of selling a micro preneed, Mr. Darwin Carrasco, actuarial consultant, was asked to give the concept or prototype of the micro preneed product.

Mr. Carrasco first discussed the issue encountered before with My Yearly Memorial Plan (MYMP) and the difference of a pre-need plan. MYMP is a Group Yearly Renewable Term Insurance issued until 65 years old only, thus it is not a pre-need plan. He added that to qualify for a pre-need plan, the main difference when it comes to insurance is basically the non-existence of age restriction. Once you are enrolled in a pre-need plan, you can use it at any age and if there is a claim arising, the preneed company must service it.

In addition, Mr. Carrasco also differentiated Micro Preneed Plan and Angelica Life Plan, which is our existing product. Angelica Life Plan is traditional in structure but a fixed value plan. Traditional in a sense that it is 5 years to pay (installment plan) with the gross contract price of atleast Php 30,000 with increasing memorial service benefit by 5% starting on the 6th policy year up to 150% increase of the plan value. While a micro preneed is an annual payment (good for 1-year plan) which they will need to pay again for the succeeding year to make it an in-force plan.

Mr. Carrasco presented the proposed micro preneed plan will have a life plan value of a minimum of Php 20,000. Additional benefits could be the usual GYRT and Accidental Death Benefit (ADB) equivalent to 100% of the life plan value with insurability age of up to 65 years old. It was proposed to tap CLIMBS to be the insurance provider. The Micro Preneed is still transferable and assignable. The annual premium for the Php 20,000 plan is assuming 10% is allocated for commission and overrides. Operating expenses Php 6.00 per 1,000. For GYRT Php 1.00 per 1,000. For ADB Php 1.00 per 1,000. Availment rate is 4%, this is assumed as the number of policies per year that will avail the benefit. Resulting annual premium for this micro preneed plan will be Php 1,175 for a Php 20,000 life plan. It is more expensive compared to the MYMP product and the actual existing product in the market which is priced at Php 700 annual premium for a lifetime benefit of Php 20,000.

Vice Chairman Llanto asked if we have a limited pay life plan based on the number of years as one of the features of insurance. President and COO Noel Raboy added that some people want to pay full life while others also wants to pay limited pay life like 10, 15, or 20 years.

Ms. Rosalina Bactol answered that the micro preneed is not really a yearly renewable preneed.

The concept of this product is like Angelica Life Plan payable in 5 years but at a lower cost because of its lower face amount. Simple benefits only and not like the Angelica Life Plan that has an incremental increase in memorial service benefit. It can range from Php 20,000 up to Php 400,000.

CEO Gonzales clarified the identification of the micro preneed since it is confusing that a micro preneed can extend up to Php 400,000. By definition, micro preneed will be considered a micro product computed by multiplying the daily minimum wage by Php 1,000. If that is the case, the face value is so high but can still be called a micro preneed. He further asked if it is possible to sell the product at minimum of Php 20,000 but the policy holder can opt to buy as many units he wants.

Ms. Bactol answered that the policy holder can only buy up to the extent of the minimum allowable per individual as regulated by the Insurance Commission.

CEO Gonzales brought up the concern whether the micro preneed can potentially cannibalize Angelica Life Plan.

Ms. Bactol clarified the micro preneed is a very simple product. A straightforward product in which what you buy is what you get. The policy holder is insured with memorial service benefit but only lower compared to Angelica Life Plan. She even suggested of making it a fixed plan, not promising the exact service but assuring them of the money value.

Chairman Dychangco Jr. agreed to the recommendation of Vice Chairman Llanto, they may pay for 5 years, 15 or 20 years depending on their capacity to pay and how much they can avail. He suggested to polish the technicalities of the product so it will complement with our other product.

Director Ferreria commented that the limited pay plans are good for product development. However, he would rather suggest starting with Angelica Life Plan and gain marketing experience. From the customers, if we see and confirm there's a clamor for 10 years, 15 years pay plan or more. That is the time we build the product. For now, he suggested to focus on the existing product, let the marketing people sell it, and then develop it later to a limited pay plan.

Vice Chairman Llanto also recommended to create a focused group discussion. The micro preneed fits the cooperative sector since this product is much easier to pay and can be bundled up with other benefits given to cooperative members to gain support and loyalty from.

CEO Gonzales agreed to Vice Chairman Llanto's recommendation since it exemplifies what we can offer to the cooperatives through our customizable product. He added that each organization has their own incentives that they give their members. Our product can be used as part of their members retention program.

Ms. Bactol reminded the assembly the Insurance Commission regulation for preneed products which only allows it to be amortized for 5 years. If the organization is willing to pay within 5 years but will sell it to its members through installment for more than 5 years, that is allowable. As long as the initial purchase was shouldered by the organization.

Vice Chairman Llanto said that it will still be a five-year pay product. The cooperatives obligation to us as the service provider is to pay it within five years but it can be paid by the cooperative members in the next 6-10 years. That will make it easier for the cooperatives to provide that kind of product bundling as long as it is presented as a five-year plan.

Mr. Carrasco clarified if it is going to be two products. One with annual payment and the other is a micro preneed with a limited pay life?

Vice Chairman Llanto pointed out that the annual premium payment might be difficult to push to the market. Citing an example of a 22-year old coop-member that might avail of our product and the life expectancy of up to 70 years old. Instead why not create a preneed product that will have a PBF feature. How long will it take to build up fund that would be self-sustaining. That kind of product is easy to market especially to younger members.

Mr. Carrasco requested for a proposed commission structure to finish the proposed product.

CEO Gonzales suggested to have it updated during next board meeting on the 3rd week of May as agreed by the Board of Directors.

On motion made by Vice Chairman Llanto and duly seconded by CEO Gonzales, it was moved to adopt:

Resolution No. 06, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, *to approve this Micro Preneed Concept will be studied further.*

Motion Carried.

VIII. ELECTIONS OF DIRECTORS INCLUDING INDEPENDENT DIRECTOR

CEO Gonzales recommended for status quo since the operations has not yet took off completely, except for the Independent Director that will replace the late Napoleon Sentillas.
On motion made by Director Manuel Alcantara and duly seconded by Director Tan Unjo, it was moved to adopt:

Resolution No. 07, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, to approve status quo for CCLPI Board of Directors except for the replacement of Independent Director Napoleon Sentillas (deceased)

Motion Carried.

IX. APOINTMENT OF THE NEW EXTERNAL AUDITOR

Director Tan Unjo recommends retaining the same auditor, Quilab & Garsuta for the year 2018.

On motion made by Director Tan Unjo and duly seconded by Director Alcantara, it was moved to adopt:

Resolution No. 08, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, *to approve the retention of Quilab & Garsuta as external auditor for the year 2018.*

Motion Carried.

X. CONSIDERATION OF OTHER BUSINESS

Chairman Dychangco Jr. called for formal appointment for vacant position.

Director Alcantara also informed the assembly that as far as CLIMBS is concerned, there is already a Board Resolution recommending VP & CMO Dela Pena to be the new CCLPI President & COO.

On motion made by Director Tan Unjo and duly seconded by Director Alcantara, it was moved to adopt:

Resolution No. 09, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the appointment of VP & CMO Mansueto Dela Pena as the new CCLPI President & COO.

Motion Carried.

XI. ADJOURNMENT

There being no other matters to discuss, on the motion of Director Tan Unjo duly seconded by Director Alcantara.

Resolution No. 10, Series of 2018

RESOLVED, AS IT IS HEREBY RESOLVED, to commend the Stockholders, Board of Directors, Officers, Management and Staff for the success of the 2nd Annual Stockholders Meeting.

Motion Carried.

The 2nd Annual Stockholders Meeting was adjourned at 3:15 PM.

This is to certify that the aforementioned minutes of the 2nd Stockholder's Meeting of Cosmopolitan Climbs Life Plan, Inc. (CCLPI) held on April 16, 2018 is true and correct.

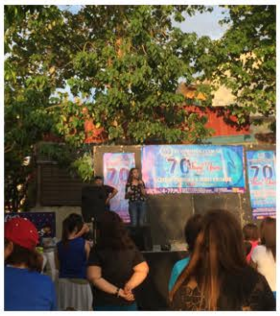
ATTY. DANIEL O. EVANGELIO, JR.
Secretary, Board of Directors

Noted:

MR. RENATO "OLY" DYCHANGCO JR.
Chairman, Board of Directors

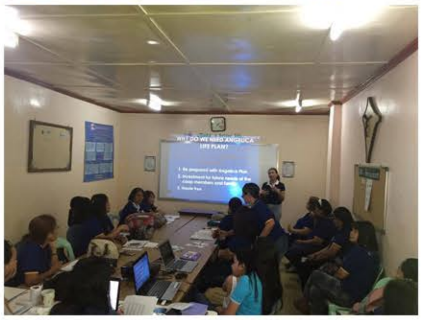
File/





Product Presentation at SIDC
October 11, 2018

MOA Signing and Product Launching at NOVADECI
September 3, 2018



Product Presentation at Bagong Silang 2 MPC
July 28, 2018

Product Presentation at Tanay
July 21, 2018

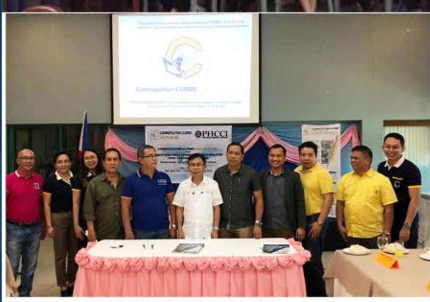
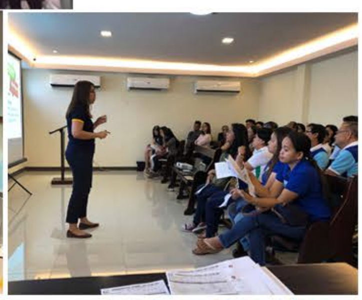
Product Orientation at Pasig City Hall to Samahan ng mga Kooperatiba ng Pasig
July 6, 2018

Product Orientation at Cosmopolitan SF Tandang Sora
March 19, 2018

FOCONO Product Presentation
September 29, 2018

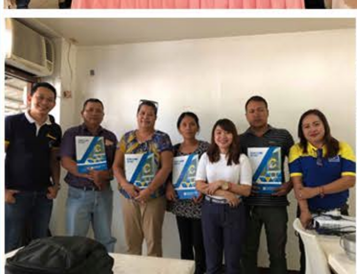
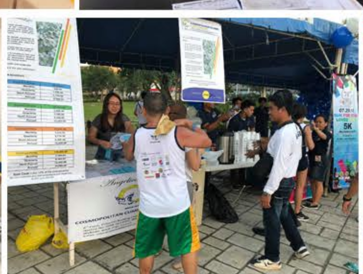
PHCCI MOA Signing
May 19, 2018

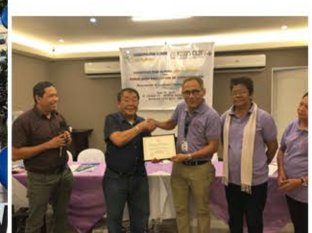
FONUS Sales Agent Training
November 28, 2018

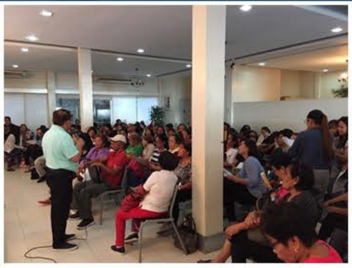



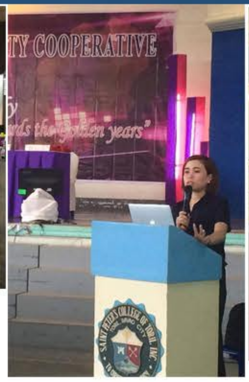
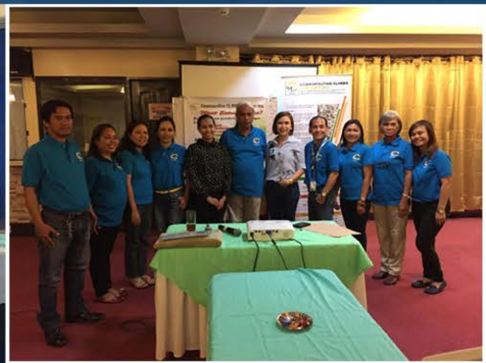
PANILAN AGENCY TRAINING
November 28, 2018

Cosmopolitan Funeral Homes Inc. 70th Anniversary
July 29, 2018



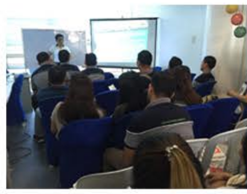


Training Orientation to all aspiring agents of COSMO Davao
February 20, 2018

Product Presentation during OIC's 52nd AGA
February 25, 2018

Product Presentation during Toril Community Cooperative's 49th AGA
March 11, 2018



Product Presentation to all Marketing officers of OIC
April 6, 2018

Product Presentation to all Agdao MPC officers and staff
April 26, 2018

Participated during MASS-SPECC's 44th General Assembly
in Zamboanga City
May 26, 2018

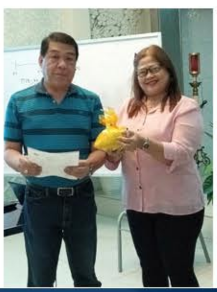
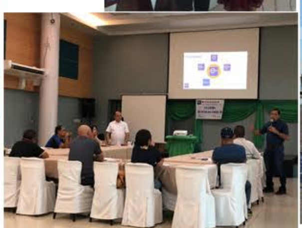
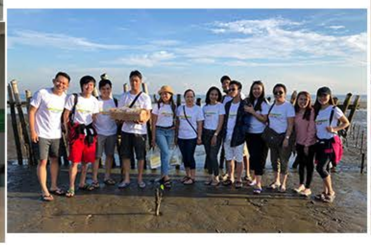
Product Presentation at MSU-IIT NMPC during their BOD meeting
June 12, 2018

Product Presentation at Siayan Officials And Employees MPC
August 3, 2018

Team Angelica Joined Tree Planting During Coop Month
October 13, 2018

CCLPI Marketing and Sales Agents Christmas Party & Awarding
of Mindanao Top Performing Sales Agents
December 28, 2018

Awarding of 2018 Davao Top
Performing Sales Agents


Financial Statements of

Cosmopolitan CLIMBS Life Plan, Inc.

December 31, 2018 and 2017

And

Report of Independent Auditors

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com

Cosmopolitan CLIMBS Life Plan Inc.
4/f CLIMBS Bldg Tiano-Pacana Sts., Cagayan de Oro City, Philippines 9000
Tel. No: (088) 880-1574, Hotline No: 0998 953 4937.
Email add: cclpi.preneed@gmail.com, Website: www.cclpi.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Cosmopolitan CLIMBS Life Plan, Inc., is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (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 Company's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Directors for the periods December 31, 2018 and 2017, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors, have expressed their opinions on the fairness of presentation upon completion of such audits.

March 21, 2019, Cagayan de Oro City, Philippines.

RENATO S. DYCHANGO, JR.
Chairman, Board of Directors

MANSUETO V. DELA PEÑA
President/COO

RONALD G. CHAN
Treasurer

QUILAB & GARSUTA
Certified Public Accountants

quilabgarsuta.com

Accreditations
PRC/BOA 7787 07.05.20
SEC Group C 0358-F 07.15.21
BIR 16-007506-000-2019 2.15.22
NEA 2017-10-0043 10.09.20
IC 2017-004-O 12.07.20
BSP Group B 07.31.20
CDA 119-AF 10.17.20
MISEREOR

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Cosmopolitan CLIMBS Life Plan, Inc.

Opinion
We have audited the financial statements of **Cosmopolitan CLIMBS Life Plan, Inc.** (Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes (collectively referred to as 'financial statements').

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cosmopolitan CLIMBS Life Plan, Inc. as of December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion
We conducted our 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 Company in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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
The 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Company's internal control.

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

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

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

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

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

March 21, 2019, Cagayan de Oro City, Philippines.

Quilab & Garsuta, CPAs

PTR No. 4070911 A
January 3, 2019
Cagayan de Oro City

STATEMENTS OF FINANCIAL POSITION

Cosmopolitan CLIMBS Life Plan, Inc.

December 31	**2018**	2017
ASSETS		
Current Assets		
Cash and cash equivalents *(Note 4)*	**₱125,140,115**	₱123,350,526
Trade and other receivables *(Note 5)*	**1,673,267**	99,559
Prepaid expenses *(Note 6)*	**1,131,297**	1,188,147
Total Current Assets	**127,944,679**	124,638,232
Non-Current Assets		
Property and equipment *(Note 7)*	**5,691,887**	1,211,875
Investment in Trust Fund – Life Plans *(Note 8)*	**11,682,272**	12,031,723
Investment in corporate bonds *(Note 9)*	**10,000,000**	–
Other assets *(Note 10)*	**600,440**	446,357
Total Non-Current Assets	**27,974,599**	13,689,955
	₱155,919,278	₱138,328,187
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables *(Note 11)*	**₱2,399,338**	₱1,708,091
Deposit for future subscriptions *(Note 13)*	**10,000,000**	–
Total Current Liabilities	**12,399,338**	1,708,091
Non-Current Liabilities		
Aggregate reserve for risks *(Note 12)*	**3,513,382**	–
Total Liabilities	**15,912,720**	1,708,091
Shareholders' Equity		
Share capital *(Note 13)*	**151,050,000**	145,050,000
Deficit *(Note 19)*	**(10,725,714)**	(8,461,627)
Accumulated other comprehensive income *(Note 9)*	**(317,728)**	31,723
	140,006,558	136,620,096
	₱155,919,278	₱138,328,187

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,	**2018**	2017 *(Note 2)*
REVENUE		
Premiums *(Note 14)*	**₱18,427,947**	₱–
Investment income *(Note 15)*	**3,014,302**	251,564
Miscellaneous	**16,986**	–
	21,459,235	251,564
COSTS AND EXPENSES		
Cost of contracts issued:		
Increase in aggregate reserve for risks *(Note 12)*	**3,513,382**	–
Plan benefits expense *(Note 12)*	**25,500**	–
	3,538,882	–
Other direct costs and expenses *(Note 16)*	**5,003,585**	–
General and administrative expenses *(Note 17)*	**15,180,855**	8,713,191
	23,723,322	8,713,191
LOSS BEFORE INCOME TAX EXPENSE	**(2,264,087)**	(8,461,627)
INCOME TAX EXPENSE *(Note 19)*	**–**	–
LOSS FOR THE YEAR	**(2,264,087)**	(8,461,627)
OTHER COMPREHENSIVE INCOME		
Item that will not be recycled subsequently to profit or loss		
Fair value gain (loss) on investments in trust funds *(Note 8)*	**(349,451)**	31,723
TOTAL COMPREHENSIVE LOSS	**(₱2,613,538)**	(₱8,429,904)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
Cosmopolitan CLIMBS Life Plan, Inc.

December 31	**2018**	2017
SHARE CAPITAL *(Note 13)*		
Ordinary Shares		
Opening balances	**₱125,306,000**	₱–
Additional subscriptions received during the year	**5,944,000**	125,306,000
Closing balances	**131,250,000**	125,306,000
Preference Shares		
Opening balances	**19,744,000**	–
Additional subscriptions received during the year	**56,000**	19,744,000
Closing balances	**19,800,000**	19,744,000
Total Share Capital	**151,050,000**	145,050,000
DEFICIT *(Note 19)*		
Opening balances	**(8,461,627)**	–
Loss for the year	**(2,264,087)**	(8,461,627)
Closing balances	**(10,725,714)**	(8,461,627)
ACCUMULATED OTHER COMPREHENSIVE INCOME *(Note 8)*		
Opening balances	**31,723**	–
Other comprehensive (loss) income for the year	**(349,451)**	31,723
Closing balances	**(317,728)**	31,723
	₱140,006,558	₱136,620,096

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31	**2018**	2017 *(Note 2)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations/net pre-operating expenses for the year	**(₱2,264,087)**	(₱8,461,627)
Add adjustments:		
Depreciation and amortization *(Notes 7 and 10)*	**577,757**	234,340
Increase in actuarial reserve liabilities *(Note 12)*	**3,513,382**	–
Provision for impairment on trade and other receivables *(Note 5)*	**5,290**	–
Net cash provided from (used for) operations/pre-operations	**1,832,342**	(8,227,287)
Changes in working capital, excluding cash and cash equivalents:		
Increase in trade and other receivables *(Note 5)*	**(1,578,998)**	(99,559)
Decrease (increase) in prepaid expenses *(Note 6)*	**56,850**	(1,188,147)
Increase in trade and other payables *(Note 11)*	**691,247**	1,708,091
Net Cash Provided by (Used for) Operating/Pre-operating Activities	**1,001,441**	(7,806,902)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments received from capital stock subscriptions *(Note 13)*	**6,000,000**	145,050,000
Acceptance of deposit for future subscriptions *(Note 13)*	**10,000,000**	–
Net Cash Provided from Financing Activities	**16,000,000**	145,050,000
CASH FLOWS FOR INVESTING ACTIVITIES		
Set-up of investment for Trust Fund – Life Plans *(Note 8)*	**–**	(12,000,000)
Investment in corporate bonds *(Note 9)*	**(10,000,000)**	–
Acquisition of property and equipment *(Note 7)*	**(5,006,852)**	(1,437,215)
Increase in other non-current assets *(Note 10)*	**(205,000)**	(455,357)
Net Cash Used for Investing Activities	**(15,211,852)**	(13,892,572)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,789,589**	123,350,526
OPENING CASH AND CASH EQUIVALENTS	**123,350,526**	–
CLOSING CASH AND CASH EQUIVALENTS *(Note 4)*	**₱125,140,115**	₱123,350,526

See Notes to Financial Statements.

Note 1
General Information

The Cosmopolitan CLIMBS Life Plan, Inc. (henceforth referred to as 'Company') was registered by the Securities and Exchange Commission (SEC) on December 7, 2016 and obtained its secondary license from the Insurance Commission (IC) on August 9, 2017. It has not started operations during 2017 since it received from IC its Permit to Offer Pre-Need Plans only on December 22, 2017. The Company officially started commercial operations at the beginning of 2018.

The Company was organized 'to engage in the pre-need business and develop and sell contractual plans for the benefit of plan-holders, subscribers, or purchasers thereof''. It embodies the synergy of the cooperative system and a private funeral company and strongly positioned itself to break the pre-need industry's growth of only 2.97% as played by the top 3 major companies in the industry. CLIMBS Life and General Insurance Cooperative, a grassroot insurance cooperative with national network of primary cooperative members and Cosmopolitan Funeral Homes, Inc., a corporation providing funeral, mortuary and allied services with branches nationwide, joined together to ensure that the Company delivers to the cooperative members and the community at large affordable, efficient and reliable care and service in times of need. The Company initially sells memorial life plans.

The Company's area of operations covers the whole Philippines. It maintains sub-offices in key cities and regions of the country. The Company's Head Office is located at the 4th Floor, CLIMBS Building, Tiano-Pacana Streets, Cagayan de Oro City.

Note 2
Significant Accounting Policies

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). Because the Company is a supervised entity by the Insurance Commission (IC), it also abides by the regulations of the Commission particularly those that are set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA),* and all applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs.

Basis of Preparation

The financial statements have been prepared using the historical cost basis, except for financial assets measured at fair values. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at the end of the year. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at the end of the year, as well as affecting the reported net pre-operating expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Presentation of Financial Statements
The Company's statements of financial position are presented in the classified model, separating current and non-current assets and liabilities. This presentation is basically an analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current). The Company's statements of profit or loss and other comprehensive income and the statements of cash flows are presented side by side with 2017 figures, which are substantially incurred under pre-operating status (see Note 1).

Changes in Accounting Policies Beginning January 1, 2018
New financial reporting standards impacting the Company have been adopted beginning January 1, 2018. These standards are the following:

- *PFRS 9 Financial Instruments*
  The Company has adopted PFRS 9 from January 1, 2018. The Company adopted the new guidance for accounting for financial instruments and applied the Standard using the transitional relief allowing the Company not to restate prior periods. Differences, if any, arising from the adoption of PFRS 9 in relation to classification, measurement, and impairment were recognized in Retained Earnings (Deficit). Accordingly, the Company is not required to present a third statement of financial position as at that date.

  The standard introduced new classification and measurement models for financial assets.

  A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

  For financial liabilities designated at fair value through profit or loss, the Standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

  In implementing PFRS 9, the Company made the following classifications:

Financial Assets and Liabilities	*Category*
Cash and cash equivalents	Fair value through profit or loss
Trade and other receivables	Amortized cost
Investments in trust funds	Fair value through other comprehensive income
Trade and other payables	Amortized cost
Deposits for future subscriptions	Amortized cost

  Under PFRS 9, the new impairment requirements use an 'expected credit loss' (ECL) model to recognize an allowance for impairment losses. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of PFRS 9 beginning January 1, 2018 did not have any impact in the new classifications of financial assets since the business models adopted by the Company under PFRS 9 were considered a continuation of the nature of classifications of the said financial assets under PAS/IAS 39. The Company's adoption of the new impairment requirements resulted in the booking of 12-month ECLs on its financial assets booked during 2018.

- *PFRS 15 Revenue from Contracts with Customers*
  The Company also adopted PFRS 15 for non-insurance contracts (where applicable) with the new guidance for the recognition of revenue from contracts with customers adopted beginning January 1, 2018. This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the statement of financial position as at January 1, 2018 are presented together as a single adjustment to the opening balance of Retained Earnings (Deficit). Accordingly, the Company is not required to present a third statement of financial position as at that date.

  The standard provides a single comprehensive model for revenue recognition.

  The core principle of the standard is that the Company shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the following specific accounting policies on revenue. Credit risk is presented separately as an expense rather than adjusted against revenue.

  Contracts with customers are presented in the Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

  The Company is recognizing its main revenue stream under PFRS 4 *Insurance Contracts*. The initial adoption of PFRS 15 beginning January 1, 2018 did not have a material effect on the Company's financial statements since the Company's revenue from non-insurance products are presently nil. Its other revenue streams are accounted for using PFRS 9 *Financial Instruments*.

New and Revised PFRSs in Issue but not yet Effective
The Company has not yet applied the following new and revised PFRS standards that have been issued but not yet effective:

- PFRS 16, *Leases*
- PFRS 17, *Insurance Contracts*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS/IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to PFRS Standards 2015-2017 *Cycle Amendments to PFRS 3 Business Combinations*, PFRS 11 *Joint Arrangements*, PAS/IAS 12 *Income Taxes* and PAS/IAS 23 *Borrowing Costs*
- Amendments to PAS/IAS 19 *Employee Benefits* 'Plan Amendment, Curtailment or Settlement'
- PFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)
- PFRIC 23 *Uncertainty over Income Tax Treatments*'

The Company management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

PFRS 16 Leases
PFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. PFRS 16 will supersede the current lease guidance including PAS/IAS 17 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

The Company management anticipates minimal impact of leases on its financial statements hence it decided to devote attention to this matter only when the required adoption begins by January 1, 2019.

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

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.

The Company management anticipates that the application of the Standard in the future will have an impact on the Company's financial statements. The management however it decided that the Company will devote attention to this matter only when the required adoption begins by January 1, 2019.

Amendments to PFRS 9 Prepayment Features with Negative Compensation
The amendments to PFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of PFRS 9.

The Company management does not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

Amendments to PAS/IAS 28 Long-term Interests in Associates and Joint Ventures
The amendment clarifies that PFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying PFRS 9 to long-term interests, the Company does not take into account adjustments to their carrying amount required by PAS/IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with PAS/IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of PFRS 9.
The Company management does not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

Annual Improvements to PFRS Standards 2015–2017 Cycle Amendments to PFRS 3 Business Combinations, PFRS 11 Joint Arrangements, PAS/IAS 12 Income Taxes and PAS/IAS 23 Borrowing Costs

The *Annual Improvements* include amendments to four Standards.

PAS/IAS 12 *Income Taxes*

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

PAS/IAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

PFRS 3 *Business Combinations*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

PFRS 11 *Joint Arrangements*

The amendments to PFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Company management does not anticipate that the application of the Standards in the future will have impact on the Company's financial statements.

Amendments to PAS/IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). PAS/IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under PAS/IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to PAS/IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Company management does not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

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

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

The Company management does not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: (i) if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings, and (ii) f no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Company management does not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

Fair Value Measurement
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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. Cash equivalents (including those invested in a trust fund) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

i. *Recognition and Initial Measurement*
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. *Classification and Subsequent Measurement*

Financial assets – Policy applicable beginning January 1, 2018
On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. This classification depends on the Company's business model for managing the financial assets and on contractual terms enabling to determine whether the cash flows are solely payments of principal and interest (SPPI). The financial assets that contain an imbedded derivative are considered in their entirety to determine whether their cash flows are SPPI. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Company's cash and cash equivalents and trade and most other receivables fall into this category of financial instruments.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Company's investments in quoted and unquoted equity securities fall under this category.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

<u>Financial assets – Business model assessment: Policy applicable beginning January 1, 2018</u>
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable beginning January 1, 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable beginning January 1, 2018

- Financial assets at FVTPL
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

- Financial assets at amortized cost
  These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Debt investments at FVOCI
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before January 1, 2018

The Company classified its financial assets into one of the following categories: (1) loans and receivables; (2) held to maturity; (3) available for sale; and (4) at FVTPL, and within this category as: (1) held for trading; (2) derivative hedging instruments; or (3) designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before January 1, 2018

- Financial assets at FVTPL
  Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.

- Held-to-maturity financial assets
  Measured at amortized cost using the effective interest method.

- Loans and receivables
  Measured at amortized cost using the effective interest method.

- Available-for-sale financial assets
  Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. *Derecognition*

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. *Offsetting*
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the

amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. *Derivative financial instruments and hedge accounting*
(Policies on derivative financial instruments and hedge accounting have been purposely omitted since the Company does not hold derivative financial instruments.)

Impairment of Financial Instruments and Contract Assets

Policy applicable from January 1, 2018
The Company recognizes loss allowances for ECLs on: (i) financial assets measured at amortized cost; (ii) debt investments measured at FVOCI; and (iii) contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs: (i) debt securities that are determined to have low credit risk at the reporting date; and (ii) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when (a) the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-Impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: (i) significant financial difficulty of the borrower or issuer; (ii) a breach of contract such as a default or being more than 90 days past due; (iii) the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; (iv) it is probable that the borrower will enter bankruptcy or other financial reorganization; or (vi) the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Statement of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Policy applicable before 1 January 2018
Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment. Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

- *Financial assets measured at amortized cost*
  The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

  In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

  An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written-off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss was reversed through profit or loss.

- *Available-for-Sale Financial Assets*
  Impairment losses on available-for-sale financial assets were recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference

between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing-off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Company expects no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Property and Equipment
The property and equipment are carried at cost less accumulated depreciation and any impairment in value, if any. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred, if the recognition criteria are met. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows: a) transportation equipment, 10 years; (b) furniture, fixtures and equipment, 3 to 5 years, and (c) leasehold rights and improvement, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization.

The carrying values of property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Impairment of Non-Financial Assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Actuarial Reserve Policies
Pre-need reserves (PNR) represents the accrued net liabilities of the Company to its plan-holders. Insurance premium reserves (IPR) represents the amount that must be set aside by the Company to pay for premiums for insurance coverage of fully-paid plan-holders. These actuarial liabilities are computed by the Consulting Actuary of the Company using actuarial practices generally accepted in the Philippines and based on standards and guidelines set forth by the IC and of the Actuarial Society of the Philippines (ASP. The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of profit or loss.

Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies. In calculating actuarial liabilities, assumptions must be made about the timing and amount of many events, including death, investment, inflation, policy termination, expenses, taxes, premiums/commissions.

The Company uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision. Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities.

In determining these provisions, the Company ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities. With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

Recording of Claims from Policyholders
Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not. Reinsurance recoveries are accounted for in the same period as the related claim.

Equity
Capital stock represents the nominal value of shares that have been issued. Additional paid-in capital includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. Treasury shares are stated at cost of reacquiring such shares. Retained earnings (Deficit) include all current results of operations as disclosed in the statement of changes in equity. The accumulated other comprehensive income account is an equity category comprised of the cumulative amounts of other comprehensive income (OCI). OCI presently comprises the change in the fair value of the investments in trust fund.

Revenue and Cost Recognition
The Company recognizes revenue as follows:

(1) *Premiums Revenue*
Revenue from sale of pre-need products is recognized under PFRS 4 *Insurance Contracts*, which defines an insurance contract as a 'contract under which one party (the insurer) accepts significant

insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the Company from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2022 .

Under the provisions of PFRS 4, the Company recognizes:

- Premiums from sale of pre-need plans as earned when collected and with corresponding increase in the insurance trust fund.
- Service fees, loading income, surcharge and amendment fees are recognized in the period in which the related services are performed.

(2) *Investments Income*
Income investments are accounted for under PFRS 9 *Financial Instruments* as follows:

- Income generated from investment of the Trust Fund – Life Plans are restricted in nature. The Company made an irrevocable election at initial recognition to measure the investments at FVTOCI with only dividend income recognized in profit or loss.

- Income from investments in debt and equity equities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.

(3) *Non-Insurance Revenues*
The Company recognizes non-insurance revenues in accordance with PFRS 15 *Revenue from Contracts with Customers* at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer.

For each contract with a customer, the Company:

(1) Identifies the contract with a customer;
(2) Identifies the performance obligations in the contract;
(3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
(4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
(5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

(4) *Cost and Expenses*
Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen which can

be measured reliably. Costs and expenses are recognized in the statement of profit or loss : i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) 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 iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance-related costs are accounted as follows:

- Changes in the required Pre-Need Reserves, trust fund contributions and other reserves are recognized as expense during the year. Documentary stamp taxes and IC registration fees are expense as incurred.
- Plant benefits expense is recognized for benefits availed of by planholders/beneficiaries that normally include the costs of memorial services, maturities or termination benefits, except benefits paid from insurance coverage.
- Collection costs (representing commissions to licensed active agents) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

(5) *Start-Up Costs*
The Company recognizes start-up costs in accordance with the provisions of PAS/IAS 38, which provides the recognition of start-up expenditures as expenses unless these expenditures are included in the costs of an item of property and equipment in accordance with PAS/IAS 16. Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in incorporating the entity, expenditure to open a new facility or business (i.e. pre-opening costs) or expenditures for starting new operations or launching new products or processes (i.e. pre-operating costs). In the case of the Company, pre-operating costs includes, among others, the cost of mobilizing support from the cooperative networks, as well as promotion expenses to drum-up awareness and support from the public.

Leases
The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset. The Company is a lessee of the building it uses as its Head Office. The Company accounts for this lease as follows:

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of profit or loss on a straight-line basis over the lease term. The existing leases of all branch offices are treated as operating leases.

Compensation and Employees Benefits Expense
Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees or for the termination of their employments in the Company. The Company recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an

expense when the Company consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The following represent the accounting followed by the Company for all types of employee benefits, except share-based payment, to which there is none.

- *Short-Term Employee Benefits*
  Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

  The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Company expects to pay as a result of unused entitlements at end of period. The amounts recognized are included in Trade and Other Payables account in the statement of financial position at undiscounted amount that the Company expects to pay as a result of the unused entitlement.

- *Post-Employment Benefit Plans*
  The Company has not yet covered its employees with any post-retirement benefit program considering that the operations of the Company is barely two years old and just one year under operating status. The Company's work force is considered young. The Board of Directors is cognizant of the need to provide post-employment benefits to its employees; however, the cost-benefit estimate favors postponement of any action at this time on the issue of the immateriality of the amount involved.

- *Termination Benefits*
  Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than12 months after the statement of financial position date are discounted to present value.

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

Provisions and Contingent Liabilities
Provisions, if any, are recognized when the Company has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course

of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements. No contingent liabilities have been incurred during the period.

Note 3
Significant Accounting Judgment and Estimates

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Company's financial statements:

Business Model Assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the

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

Fair Value Measurements
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

Estimating Useful Lives of Property and Equipment
The Company reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-Financial Assets
In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Provision and Contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 2.

Note 4
Cash and Cash Equivalents

This account consists principally of the following:

December 31	**2018**	2017
Cash on hand and revolving funds	**₱110,000**	₱35,000
Cash in banks	**27,448,432**	33,313,859
Short-term placements in banks	**97,581,683**	90,001,667
	₱125,140,115	₱123,350,526

Cash on hand and revolving funds are dispersed throughout the Company's regional offices.

Cash in banks earn interest rates ranging from .10% to .25% per annum and are generally placed with big commercial banks. Short-term placements in banks are in the form of time deposits that can be pre-terminated any time, earning interest rate from 2.5% to 3.0% per annum. A special deposit placed in a cooperative bank earns interest at 6.0% per annum.

Interest income earned from cash in banks and short-term placements amounted ₱2,622,599 in 2018 and ₱251,564 in 2017.

Note 5
Trade and Other Receivables

This consists of the following:

December 31,	**2018**	2017
Accrued interest receivables *(Note 4 and 9)*	**₱926,792**	₱–
Advances to officers and employees	**692,267**	93,000
Accounts receivable – others	**59,498**	6,559
	1,678,557	99,559
Less allowance for expected credit losses (ECL)	**5,290**	–
	₱1,673,267	₱99,559

All amounts are short-term with their net carrying values considered reasonable approximation of their fair values.

Allowance for ECL

The recorded ECL pertains to advances to officers and employees and accounts receivable – others. All of the accounts are current, hence only the 12-month ECL was provided at 1% of principal. Management considers the credit risk of accrued interest receivable as having low credit risk as the investee banks have investment grade ratings from international rating agencies; hence no ECL was provided on the account.

Note 6
Details of Prepaid Expenses

December 31	**2018**	2017
Deferred filing fees with the Insurance Commission (IC)	**₱980,425**	₱1,000,000
Unused office supplies	**150,872**	–
Input taxes	**–**	188,147
	₱1,131,297	₱1,188,147

The deferred filing fees with IC represent the .01% filing fee of the ₱1 billion worth of Angelica Life Plan that the Company applied with and subsequently obtained permission to sell from IC. It is amortized to expense as part of the product cost which is matched at every sale of a unit of the plan.

Unused office supplies represent the value at cost of unused supplies at the end of the year. Input value-added tax (VAT) pertains to the 12% indirect tax paid by the Company in the course of its trade or business on local purchase of goods and services which the Company intends to offset against any output value-added tax (VAT) that may be due from its products in the future.

Note 7
Property and Equipment

This consists of the following:

December 31	**2018**	2017
Service vehicles	**₱4,087,668**	₱1,168,482
Office furniture, fixtures and equipment	**1,338,032**	253,251
IT equipment	**780,689**	–
Leasehold improvements	**237,678**	15,482
	6,444,067	1,437,215
Less accumulated depreciation	**752,180**	225,340
	₱5,691,887	₱1,211,875

The Company leases the property it is using as its Head Quarters from a major shareholder. It is also renting spaces for its regional offices. Total rental amounted ₱846,039 in 2018 and ₱378,000 in 2017 (See Note 17).

Reconciliation of Balances

December 31, 2018	*Opening Balances*	*Additions*	*Retirements*	***Closing Balances***
Service vehicles	₱1,168,482	₱2,919,186	₱–	**₱4,087,668**
Office furn., fixtures and equipment	253,251	1,084,781	–	**1,338,032**
IT equipment	–	780,689	–	**780,689**
Leasehold improvements	15,482	222,196	–	**237,678**
	1,437,215	5,006,852	–	**6,444,067**
Less accumulated depreciation	225,340	526,840	–	**752,180**
	₱1,211,875	₱4,480,012	₱–	**₱5,691,887**

December 31, 2017	*Opening Balances*	*Additions*	*Retirements*	***Closing Balances***
Service vehicles	₱–	₱1,168,482	₱–	**₱1,168,482**
Office furn., fixtures and equipment	–	253,251	–	**253,251**
Leasehold improvements	–	15,482	–	**15,482**
	–	1,437,215	–	**1,437,215**
Less accumulated depreciation	–	225,340	–	**225,340**
	₱–	₱1,211,875	₱–	**₱1,211,875**

Note 8
<u>Investment in Trust Fund – Life Plans</u>

The Company established a Trust Fund for the estimated cost of benefits or services to be rendered in accordance with the plan contracts sold. In accordance with IC rules and regulations, the Company is required to deposit a certain portion of its collections from planholders with trustee bank to ensure future payments of benefits to planholders. Deposits are made based on applicable rules and regulations of the IC and are adjusted to conform to the actuarial evaluation.

On October 30, 2017, the Company signed a Trust Agreement with BOD Unibank, Inc. – Trust and Investment Group (Trustee) to administer and manage the trust fund, with initial fund in the amount of ₱12 million.

The salient features of the trust agreement with BDO include the following:

(1) The Trust Fund is established exclusively and solely for life plans pursuant to the Pre-Need Code. In compliance with Chapter VIII, Section 30 of the Pre-need Code and in accordance with the terms of the trust agreement, no withdrawal shall be made from the trust funds except for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders; and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

(2) The initial amount of the Trust Fund shall be augmented by deposits to be made by the Company representing 45% of life plans sold or such higher amounts as determined by the actuary. In case of installment payments, such deposits will be based on rates of contributions required under the Pre-Need Code and which are also specified in the Trust Agreement.

(3) The Trustee's investment strategies are limited to fixed income instruments, equities and real estate (which are all defined in the Trust Agreement), except for other investments that are authorized by the IC.

(4) The Trust Fund, inclusive of earnings, shall be administered and managed by the Trustee who will have the right at any time to sell, convert, invest, change, transfer or change or dispose of the assets comprising the Trust Fund within the parameters that are compliant with IC regulations.

(5) The investment in Trust Fund – Life Plans is not a deposit account and a fixed rate of interest or a fixed return is neither assured nor guaranteed by the Trustee. The investment is not covered by PDIC, and losses, if any, shall be for the Account of the Company.

(6) The Trustee shall not be liable for any loss or depreciation in the value of the assets of the Trust Fund resulting from any of the investment or reinvestment operations made by it and the exercise of discretionary powers given to it by the Trust Agreement. In case of fraud, gross negligence or bad faith however it shall be liable to the extent of the actual and/or incidental losses to the Trust Fund proven to be the result of such fraud, gross negligence or bad faith.

(7) For services rendered under the Trust Agreement, the Trustee shall charge a trust fee of 0.50% per annum for the peso component of the Fund, based on the average month-end market value of the peso component of the Fund, which shall be deducted from the Fund on a quarterly basis. In no case, however, shall the trust fees be lower than ₱10 thousand per annum.

Accounting of Fund Assets

At the end of the year, the Company's investment in Trust Fund – Life Plans consisted of the following:

December 31	**2018**	2017
Assets		
Cash in bank	**₱913,937**	₱8,077,478
Investment in quoted equity securities	**2,354,924**	254,780
Investment in quoted debt securities	**8,367,431**	3,672,620
Interest receivable	**60,463**	37,108
	11,696,755	12,041,986
Liabilities		
Trust fees payable	**14,463**	10,261
Accrued expenses	**20**	2
	14,483	10,263
Net Assets	**₱11,682,272**	₱12,031,723
Net Assets Accounted as Follows:		
Trust fund principal	**₱12,031,723**	₱12,000,000
Realized gain on sale of financial assets	**73,182**	–
Income from conversion to PFRS 9	**6,770**	–
Unrealized (loss) gain on FVOCI	**(429,403)**	31,723
	₱11,682,272	₱12,031,723

The net decline in value of investment in 2018, amounting ₱349,451, and the fair value gain in 2017 amounting ₱31,723, were charged/credited to other comprehensive income (OCI) in the statements of profit or loss.

Reconciliation of Trust Fund Balance Versus PNR Required

December 31	**2018**	2017
Net assets of Trust Fund	**₱11,682,272**	₱12,031,723
PNR and plan benefits payable	**(3,513,382)**	–
Excess of Trust Fund Over PNR and Plan Benefit Payable	**₱8,168,890**	₱12,031,723

Allotment of Funds for Additional Trust Funds

The Company has determined at the end of the year that the trust fund contributions during 2018 amounted ₱7,992,070 (see Note 14). The Company earmarked portions of its cash in banks for the following funds:

December 31	**2018**
Additional funding for Insurance Trust Fund *(Note 14)*	**₱7,992,070**
For establishing the Insurance Premium Fund	**429,477**
	₱8,421,547

The foregoing funds have been separately invested at the beginning of 2019.

Note 9
Investment in Corporate Bonds

This consists of investment in corporate bonds with Metropolitan Bank & Trust Company (Metrobank) under a cross currency swap (CCS) hedge to a USD loan, amounting ₱10 million. The investment has effective date of April 30, 2018 and termination date of March 16, 2023.

The Company, as a party to the CCS agreement, is assured of a fixed rate of 5.71% and a final exchange amount of ₱10,032,140. The cash flows from interest income every six months is based on a schedule of payment beginning September 17, 2018 up to March 16, 2023.

The Company accounted the investment under amortized costs with no hedge accounting. Total interest income earned at the end of 2018 amounted ₱391,703.

Note 10
Details of Other Non-Current Assets

December 31	**2018**	2017
Computer software, at cost	**₱530,357**	₱330,357
Accumulated amortization	**(59,917)**	(9,000)
Net	**470,440**	321,357
Refundable deposits *(Note 20)*	**130,000**	125,000
	₱600,440	₱446,357

The cost of computer software is amortized over a period of 5 years, beginning 2017. Amortization costs charged to operations amounted ₱50,917 in 2018 and ₱9,000 in 2017.

Refundable deposits are related to the rentals of the Head Office, as well as of the regional offices.

Note 11
Trade and Other Payables

This account consists of the following:

December 31	**2018**	2017
Accounts payable to a major stockholder *(Note 20)*	**₱1,288,732**	₱1,261,052
Accrued expenses	**750,009**	286,774
Unremitted contributions to Government agencies	**175,421**	160,265
Cash bond payable	**127,418**	–
Planholders' deposits (unearned premiums)	**57,758**	–
	₱2,399,338	₱1,708,091

The accounts payable to a major stockholder represents unpaid charges for expenses advanced by CLIMBS Life and General Insurance Cooperative. The advances are interest-free. (See Note 20.)

Accrued expenses include unpaid commissions to agents.

Trade and other payables are generally non-interest bearing and are usually settled from 30 to 60 days.

Note 12
Aggregate Reserve for Risks

This consists of the actuarial reserve liabilities of the following:

December 31	**2018**	2017
Pre-need reserves (PNR) for life plans	**₱3,338,969**	₱–
Insurance premium reserves (IPR)	**174,413**	–
	₱3,513,382	₱–

The movements of the reserves during the year are as follows:

December 31, 2018	*Pre-Need Reserves*	*Insurance Premium Reserves*	***Total***
Provisions during the year	₱3,338,969		**₱3,338,969**
Provisions during the year		₱174,413	**174,413**
	₱3,338,969	₱174,413	**₱3,513,382**

PNR for Life Plans
This represents the actuarial reserve liabilities set up by the Company pertaining to the accrual of its net liabilities to planholders computed using the net level premium reserving method based on a prospective approach. The amount of reserves has been certified by the Consulting Actuary to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines.

As of December 31, 2018, the Company has a total of 306 fully-paid plans, amounting ₱11.3 million and a total of 1,704 plans on installments, totaling ₱9.402 million. Total premiums revenue earned amounted ₱18,427,947 (net of value-added taxes) for 2018 (See Note 14). Plan benefits paid during the year amounted ₱25,500. No plan benefits remain unpaid at the end of the year. Collection costs, representing commissions paid to agents, amounted ₱4,807,336 for 2018.

Insurance Premium Reserves
IPR represents the amount set aside to pay for premiums of insurance coverage for fully-paid planholders accrued as additional liabilities of the Company. The amount of reserves has been certified by the Consulting Actuary to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines.

Note 13
Share Capital

The Company's share capital consists of the following:

December 31	**2018**	2017
Ordinary Shares		
Authorized – 150 million shares, ₱1.00 par value		
Issued and outstanding: 131,250,000 shares in 2018; 125,306,000 in 2017	**₱131,250,000**	₱125,306,000
Preference Shares		
Authorized – 200 thousand shares, ₱100.00 par value		
Issued and outstanding: 198,000 shares in 2018; 197,440 shares in 2017	**19,800,000**	19,744,000
Total Share Capital	**₱151,050,000**	₱145,050,000

Deposit for Future Subscriptions
This represents deposit received from CLIMBS Group during the last quarter of 2018 intended to increase their common shares capital in the Company. The Company's common shares are fully-subscribed and the Company has not yet initiated actions to increase its authorized capital. The deposit is presently non-interest bearing.

In accordance with SEC Financial Reporting Bulletin No. 6 (as revised) dated January 24, 2013, (which used as bases the pertinent provisions of the Corporation Code and PAS/IAS 32 *Financial Instruments: Presentation*), the account is treated as part of current liabilities.

Compliance with Capitalization Requirements
In accordance with the provisions of Section 9 of R. A. 9829, *An Act Establishing the Pre-Need Code of the Philippines*, a pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. The Company has complied with this requirement by having authorized common share capital of ₱150 million and paid up capital of ₱131.250 million at the end of 2018. The Company also has authorized preference shares of ₱20 million of which ₱19.8 million have been fully issued at the end of 2018. Additionally, the Company accepted deposit for future stock subscriptions which will eventually augment its capitalization to comply with the requirements of R.A. 9829.

Capital Management Objectives, Policies and Procedures
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its planholders. The level of capital maintained is higher than the minimum capital requirements of the IC. The Company considers the entire equity in determining the capital.

The Company manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The Company's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial position. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

Other Disclosures
As at December 31, 2018, the Company has six (6) shareholders owning 100 or more ordinary (common) and preference shares each.

Note 14
Details of Premium Revenue

Years Ended December 31	**2018**	2017
Realized gross premium income	**₱11,582,870**	₱–
Trust fund contributions *(Note 8)*	**7,992,070**	–
Total Receipts	**19,574,940**	–
Value added taxes	**(1,146,993)**	–
Net Receipts	**₱18,427,947**	₱–

Note 15
Details of Investments Income

Years Ended December 31	**2018**	2017
Interest income from cash and cash equivalents *(Note 4)*	**₱2,622,599**	₱251,564
Interest income from investment in corporate bonds *(Note 9)*	**391,703**	–
	₱3,014,302	₱251,564

Note 16
Details of Other Direct Costs and Expenses

Years Ended December 31	**2018**	2017
Collection costs (commissions)	**₱4,807,336**	₱–
Insurance	**196,249**	
	₱5,003,585	₱–

Note 17
Details of General and Administrative Expenses

Years Ended December 31	**2018**	2017
Salaries, wages, and employees' benefits *(Note 18)*	**₱7,524,686**	₱3,888,604
Promotions and marketing	**3,436,173**	1,072,947
Travel and transportation	**872,673**	950,394
Rent *(Note 7)*	**846,039**	378,000
Depreciation and amortization *(Notes 7 and 10)*	**577,757**	234,340
Meetings and conferences	**431,586**	681,696
Professional fees	**408,017**	5,882
Office supplies	**273,906**	137,045
Dues and subscriptions	**174,640**	70,290
Insurance	**161,428**	52,126
Repairs and maintenance	**120,423**	135,416
Light and water	**109,148**	10,301
Taxes, licenses and fees *(Note 25)*	**105,613**	1,047,230
Supervision	**77,008**	–
Communications	**33,748**	24,313
Trainings and seminars	**12,998**	22,580
Provision for expected credit losses (ECL) *(Note 5)*	**5,290**	–
Miscellaneous	**9,722**	2,027
	₱15,180,855	₱8,713,191

Note 18
Details of Salaries, Wages and Employees' Benefits

Years Ended December 31	**2018**	2017
Salaries and wages	**₱4,576,951**	₱2,174,186
Employee benefits	**1,708,212**	649,947
Honoraria	**1,239,523**	1,064,471
	₱7,524,686	₱3,888,604

Note 19
Income Taxes

The Company has no income tax liabilities at the end of 2018 and 2017. The Company's net pre-operating losses are qualified for net-loss-carry-over (NOLCO) for income tax purposes. In accordance with BIR regulations, for purposes of carry-over, the following rules should be observed:

1) Any net loss incurred in a taxable year during which the taxpayer was exempt from income tax shall not be allowed as a deduction;

2) The Company cannot enjoy the benefit of NOLCO for as long as it is subject to Minimum Corporate Income Tax (MCIT) in any taxable year. However, the running of the 3-year period for the expiry of NOLCO shall not be interrupted by the fact that the Company is subject to MCIT in any taxable year during such three-year period.

3) If the Company claims the 10% Optional Standard Deduction for income tax purposes, it shall not simultaneously claim deduction of NOLCO. However, the 3-year reglementary period for carry-over shall still continue to run.

4) The carry over shall be allowed only if there has been no substantial change in the ownership of the business in that not less than 75% in nominal value of outstanding issued shares or not less than 75% of the paid-up capital of the Company, is held by or on behalf of the same person.

The Company has NOLCO amounting ₱5.3 million for 2018 and ₱8.7 million for 2017 and for which no deferred tax assets have been recognized as of December 31, 2018. In accordance with Republic Act No. 8424 *Tax Reform Act of 1997*, NOLCO be can be used to offset against future taxable income for three succeeding years. The Company assesses any unrecognized deferred tax assets at every end of year and will recognize it to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

The unexpired NOLCO which is available for offsetting with future taxable income and income tax payable, is accounted for as follows:

Year Incurred	***Amount***	*Expiry Date*
2018	**₱5,273,099**	December 31, 2021
2017	**8,713,191**	December 31, 2020
Net	**₱13,986,290**	

Current Income Tax Expense

The reconciliation of the pretax income computed at statutory rate to tax expense follows:

Years Ended December 31	**2018**	2017
Tax at statutory rate	**(₱679,226)**	(₱2,538,488)
Additions (deductions) resulting from:		
Increase in provision for ECL	**1,587**	–
Investments income	**(904,291)**	(75,469)
Change in unrecognized deferred tax assets	**1,581,930**	2,613,957
	₱–	₱–

Minimum Corporate Income Tax (MCIT)

The Company is subject to MCIT on gross income only beginning on the fourth taxable year of its operations following the year of commencement of business operations. The Company is liable to MCIT beginning 2022.

Note 20
Related Party Transactions

In the ordinary course of trade or business, the Company has transactions with its related parties which include its directors, officers, related interests and employees. These transactions were made substantially on the same terms and conditions as with other parties. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. Moreover, the revenue from these related parties are insignificant.

The significant related party transactions are summarized below:

a) The Company is a lessee to the building owned by its major stockholder. The lease, which is taken up in the books of the Company as an operating lease, required the Company to deposit advance rental of ₱125,000 (see Note 10) and to settle the monthly fixed rental during the first week of each month. Total lease payments in amounted ₱844,500 in 2018 and ₱378,000 in 2017.

b) The major stockholder also undertook the financing of some of the major events in organizing the Company, thereby incurring receivables from the Company amounting ₱1,288,732 by the end of 2018 and ₱1,261,052 by the end of 2017. (See Note 11.)

c) The Company has no associates, affiliates and joint venture projects.

d) The key management compensation follows:

Years Ended December 31	**2018**	2017
Salaries and wages	**₱1,244,000**	₱1,605,941
Honoraria	**847,059**	847,059
Employee benefits	**237,787**	414,471
	₱2,328,846	₱2,867,471

Note 21
Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed
The following table summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

December 31, 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents *(Note 4)*	₱125,140,115	₱–		**₱125,140,115**
Trade and other receivables *(Note 5)*			₱1,673,267	**1,673,267**
Investment in Trust Fund–Life Plans *(Note 8)*			11,682,272	**11,682,272**
Investment in corporate bonds *(Note 9)*			10,000,000	**10,000,000**
	₱125,140,115	₱–	₱23,355,539	**₱148,495,654**
Financial liabilities				
Trade and other payables *(Note 11)*			₱2,399,338	**₱2,399,338**
Deposit for future subscriptions *(Note 13)*			10,000,000	**10,000,000**
	₱–	₱–	₱12,399,338	**₱12,399,338**
December 31, 2017				
Financial assets				
Cash and cash equivalents *(Note 4)*	₱123,350,526	₱–		**₱123,350,526**
Trade and other receivables *(Note 5)*			₱99,559	**99,559**
Investment in Trust Fund–Life Plans *(Note 8)*			12,031,723	**12,031,723**
	₱123,350,526	₱–	₱12,131,282	**₱135,481,808**
Financial liabilities				
Trade and other payables *(Note 11)*			₱1,708,091	**₱1,708,091**
	₱–	₱–	₱1,708,091	**₱1,708,091**

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counter-parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

Fair Value Measurement for Non-Financial Assets
The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017.

December 31, 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Non-financial assets				
Prepaid expenses *(Note 6)*			₱1,131,297	**₱1,131,297**
Property and equipment *(Note 7)*			5,691,887	**5,691,887**
Other non-current assets *(Note 10)*			600,440	**600,440**
			₱7,423,624	**₱7,423,624**
December 31, 2017				
Non-financial assets				
Prepaid expenses *(Note 6)*			₱1,188,147	**₱1,188,147**
Property and equipment *(Note 7)*			1,211,875	**1,211,875**
Other non-current assets *(Note 10)*			446,357	**446,357**
			₱2,846,379	**₱2,846,379**

The Level 3 fair value of the property and equipment was determined using the cost approach that reflects the cost to a market participant to acquire such assets. These inputs were derived from various suppliers' quotes, and price catalogues. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the assets.

Note 22
Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks, which result from both its operating and financing activities. The Company's principal financial instruments are its cash and cash equivalents, trade and other receivables, investments in trust fund and investment in corporate bonds, trade and other payables and deposit for future subscriptions.

The existing policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and financial position. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure
The Board of Directors is mainly responsible for the overall risk management and for the approval of risk strategies and principles of the Company. The Board of Directors also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

Credit and Concentration Risks
Credit risk refers to the risk that counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Company. The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant. The investments are placed in strong financial institutions and are regularly monitored. The Company deals only with creditworthy counterparties duly approved by the Board of Directors.

Its maximum exposure to credit risk for the components of the statement of financial position as of December 31, 2018 and 2017 is the carrying amounts as shown below:

December 31	**2018**	2017
Cash and cash equivalents *(Note 4)*	**₱125,140,115**	₱123,350,526
Trade and other receivables *(Note 5)*	**1,673,267**	99,559
Investment in Trust Fund – Life Plans *(Note 8)*	**11,682,272**	12,031,723
Investment in corporate bonds *(Note 9)*	**10,000,000**	–
	₱148,495,654	₱135,481,808

The tables below show the credit quality by class of financial assets based on the Company's rating system:

December 31, 2018	*High Grade*	*Standard Grade*	*Impaired*	***Total***
Cash and cash equivalents *(Note 4)*	₱125,140,115	₱–	₱–	**₱125,140,115**
Trade and other receivables *(Note 5)*	1,673,267			**1,673,267**
Investment in Trust Fund *(Note 8)*	11,682,272			**11,682,272**
Investment in corporate bonds *(Note 9)*	10,000,000			**10,000,000**
	₱148,495,654	₱–	₱–	**₱148,495,654**
December 31, 2017				
Cash and cash equivalents *(Note 4)*	₱123,350,526	₱–	₱–	**₱123,350,526**
Trade and other receivables *(Note 5)*	99,559			**99,559**
Investment in Trust Fund *(Note 8)*	12,031,723			**12,031,723**
	₱135,481,808	₱–	₱–	**₱135,481,808**

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from parties who need to be reminded of their duties. No financial assets were deemed by management as impaired.

Market Risks
Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Company's assets, liabilities or expected future cash flows. The Company has no exposure arising from complex investments since it is not engaging in high risk investments, forward contracts, hedging, and the likes, whether local or foreign transactions.

(a) *Price risk.*
The Company's trust fund managed by BOD Unibank, Inc. – Trust and Investment Group has invested in quoted equity and debt securities, totaling ₱10,722,355 in 2018 and ₱3,927,400 in 2017, is vulnerable to price risks. Equity price risks arises because of fluctuations in market prices of these securities. The Company recognized in OCI fair value losses of ₱349,451 in 2018. (See Note 8.)

(b) *Interest rate risk.*
The Company's interest rate risk arises from investment in corporate bonds, as well as in time deposits with banks. The Company invested in fixed bonds and fixed rate deposits to mitigate the risks.

(c) *Foreign currency exchange rate risk.*
The Company is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

Liquidity Risks
The Company is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligation as they become due without incurring unacceptable losses or costs. The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost. The Company manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day–to–day business.

The maturity profile of the Company's financial liabilities is as follows:

December 31, 2018	*Due in 1 Year*	*Due Over 1 Year*	*Total*
Trade and other payables *(Note 11)*	₱2,399,338	₱–	**₱2,399,338**
Deposits for future subscriptions *(Note 13)*	10,000,000	–	**10,000,000**
	₱12,399,338	₱–	**₱12,399,338**
	100.00%	0.00%	**100.00%**
December 31, 2017			
Trade and other payables *(Note 11)*	₱1,708,091	₱–	**₱1,708,091**
	100.00%	0.00%	**100.00%**

Note 23
Events After Reporting Date

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Company.

Note 24
Authorization of Financial Statements

The financial statements of Cosmopolitan CLIMBS Life Plan, Inc. for the period ended December 31, 2018, presented to its Board of Directors on March 14, 2019 and were authorized for issue by its management on March 21, 2019.

Note 25
Details of Taxes, Licenses and Fees

In accordance with RR 15-2010, the Company discloses the following information regarding taxes, licenses and fees paid during 2017:

Years Ended December 31		2017
Legal, notarial fees and others	**₱95,574**	₱103,350
Business permit and licenses	**8,058**	46,430
Documentary stamp taxes	**1,481**	751,000
Preneed Company License	**–**	146,450
	₱105,113	₱1,047,230

Angelica Life Plan

a fixed value life plan with increasing memorial service benefit.

BENEFITS

The memorial benefit increases by 5% of the contract price starting on the sixth policy year up to a maximum of 150% of the contract price.

Additional benefit equivalent to the Gross Contract Price (GCP) if the plan holder dies within the following conditions:

i insurable age up to age 65
ii within the 10-year period

The plan is considered fully paid in case of planholder's death or total and permanent disability during the paying period.

Transferable and assignable.

Payable in five year installments.

SPOT CASH

Less 10% of the contract price.

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