



COSMOPOLITAN CLIMBS
LIFE PLAN INC.

2019 ANNUAL REPORT

“

SUCCESS THROUGH SYNERGY

www.cclpi.com.ph

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 continue to expand its horizon by listening to the growing demands and needs of the people. CLIMBS Life & General Insurance Cooperative was founded by the late Atty. Mordino Cua and Atty. Aquilino Pimentel Sr. from humble beginning to date, CLIMBS grew into a cooperative with assets worth 3.23 billion pesos, life and non-life confirmation coverage of over 4 million.



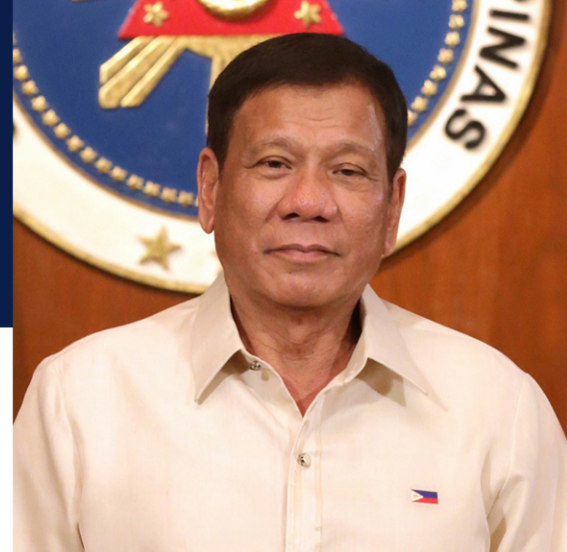
COSMOPOLITAN Memorial Chapel is the specialist in family care and service in time of need. Since 1950, Cosmopolitan has been the company of choice for people from around the world who expect world class comfort and care makes it more bearable in the most hurting time in the family over 70 years. Increased 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.



CONTENTS

2	Who We are?
4-10	Messages
11	Board of Directors & Officers
12	CCLPI Plans Management Team
13-14	CCLPI Plans Employees
15-21	Minutes of the 3rd Stockholders Meeting of CCLPI Plans
22-23	2019 Highlights of Activities
24	Memorial Service Benefit Rendered
25	Trip to Singapore Awardes
26-77	Financial Statement of CCLPI Plans
78	Development Plan
79	CCLPI Plans Operational Budget for year 2020
80-83	Sponsors

MESSAGE FROM THE PRESIDENT



MALACAÑAN PALACE
MANILA

MESSAGE

My warmest greeting to the Cosmopolitan CLIMBS Life Plan, Inc. as it publishes its 2019 Annual Report.

Cooperatives play a vital role in leading the filipino people towards more secure and productive lives. I thus laud your organization for enhancing the impact of micro and grossroots insurance and memorial care services among our local communities.

May your gain in the past year generate stronger synergy among your stakeholders, partners and benefactors as you pursue initiatives that responsively address the growing need of your sector. I enjoin you to use your respective knowledge and expertise in building a more humane, progressive and inclusive society.

I wish you success in all your endeavors.

A handwritten signature in black ink, reading "Rodrigo Roa Duterte".

RODRIGO ROA DUTERTE

MESSAGE FROM COMMISSIONER



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



MESSAGE

(Cosmopolitan CLIMBS Life Plan, Inc.)

I am sending my warm greeting and earnest felicitations to the **Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI)** for celebrating another year full of success and accomplishment. **CCLPI** continues to serve the people by providing a comprehensive life plan program that delivers the utmost care and benefit to its clients.

The theme for this year's celebration, "**Success Through Synergy**", highlights the importance of unity and cooperation in achieving positive result and outcomes. Foundation from the union of two distinguished institution in the insurance and pre-need industries, **CCLPI** serves as a proof of how the combined efforts and knowledge among companies could create a huge impact of greater scale that will benefit more people.

As **CCLPI** continue to strive and grow, I expect that it will find new ways and ideas to serve the people and create difference in the society especially nowadays that we are being challenged by the current health crisis. Rest assured of the Insurance Commission's relent

DENNIS B. FUNA
Insurance Commissioner



MESSAGE FROM THE CITY MAYOR



Republic of the Philippines
City of Cagayan de Oro
OFFICE OF THE CITY MAYOR

**cagayan
de Oro**
city of golden friendship



Pre-need life plans may have become essential as we face the inevitability of living into the beyond.

Investing in pre-need plans is invaluable -- it buys you peace of mind. And when the inevitable happens, those who are left behind are spared the aggravated anxiety of financial burden over the emotional struggles of loss.

I am happy that Cosmopolitan CLIMBS Life Plan, Inc. or CCLPI is yet another Cagayan de Oro-born company offering memorial pre-need services. A partnership between the country's premiere micro and grassroots insurance cooperative, CLIMBS Life and General Insurance Cooperative and Cosmopolitan Funeral Homes, Inc., the CCLPI provides people in the grassroots affordable and accessible memorial pre-need plan.

CLIMBS as we all know is a legacy of some of the notable forebears of the city -- the cooperative duo of Attys Mordeno and Aquilino Pimentel Sr. -- and has now catapulted itself in the pole position in the country's micro insurance industry. And of course, Cosmopolitan Funeral Homes Inc. has cemented its place in our community.

The cancellation of your 4th Annual Stockholders Meeting in April is definitely not for naught. It reflected your adaptability to the Covid-19 pandemic. Your continued operations are reflective of your resilience.

This year, 2020, will be remembered as a year full of trial, of struggles, of epochal changes. Your quick adaptation and resilience to the unprecedented global health crises will one day become one of the milestones in your industry and the proud city of your founding.

I believe that stockholders of CCLPI will continue to push the venture's growth. The company has no other way but up.

The city government of Cagayan de Oro is not just a proud founding city of CLIMBS and CCLPI, but also partner. And as your partner, we will continue to strive to provide enabling policy environment and services.

Mabuhay ang Cosmopolitan CLIMBS Life Plan Inc!


OSCAR S. MORENO
City Mayor

MESSAGE FROM THE CHAIRMAN



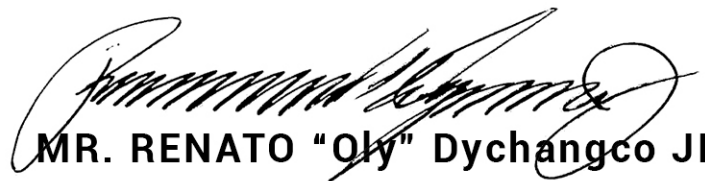
Dear CCLPI Stockholders, Benefactors & Partners,

"SUCCESS IN SYNERGY"... I could have not agreed to a more relevant and fitting theme for this year's Annual Stockholder's Meeting.

Synergy as defined is a cooperative action when diverse individuals collaborate for common cause. It is because of the successful synergy between all our shareholders that we at CCLPI have created a culture of excellence that is mutually beneficial for all.

I hope that through this coming year, we strive for even greater synergy. To be focused. To be empowered. To be empowered. To be team players. To be able to Climb to greater heights together to reach CCLPI's mission.

It is with great pride that I congratulate CCLPI, our business partner with synergy, for another successful year.


MR. RENATO "Oly" Dychangco JR.
CCLPI Chairman

MESSAGE FROM CHIEF EXECUTIVE OFFICER




My warmest greetings and welcome to all Stockholders and partners of Cosmopolitan Climbs Life Plan Inc. also known as "CCLPI" to our 4th Annual Stockholders Meeting.

Our 2020 Theme "SUCCESS THROUGH SYNERGY" is a tangible proof that the Cooperative and Corporation can coexist with one common bond of interest in providing affordable and dignified memorial services for our COOP members and the public. We are working hard to generate a new growth spurt for CCLPI Plans by enhancing our Angelica Life Plan product to its full potential and advantages over other pre-need products in the mainstream market that makes our financial statistics more improved than previous year performance.

As we advance to more successful years ahead, CCLPI Plans is gearing up for a Big bang in 2020 despite of the COVID-19 situation in the world. We believed with strong determination and persistence; we will always rise to these challenges.

We likewise thank our Stockholders, Board of Directors, Management & Staff and partners for their commitment and dedication. But above all, to our Almighty God for all the blessings.

Congratulations!


Fermin L. Gonzales
Chief Executive Officer

MESSAGE FROM THE CLIMBS PRESIDENT & CEO



My warmest greeting to Cosmopolitan CLIMBS Life Plan, Inc. for its 4th Annual Stockholders Meeting.

The CCLPI is a core subsidiary contributing to CLIMBS becoming as a complete financial solution enterprise complementing to its other businesses. More than protection, our business' ultimate goal is not only access to affordable financial solutions but to provide both social and economic coping measures for our members in times of unfortunate events.

We also recognize the valuable contribution of synergy between CCLPI, CLIMBS and other subsidiaries in achieving our collective goal through a shared vision and values. This helps strengthen our effort, motivation and drivers for growth. In addition, where there is synergy, communication and work are accompanied with compassion and consciousness of the impact of our actions to the other members of the team.

We see this as the way of achieving success despite the diverse focus of our organization and the challenges given in our paths as we move forward. In behalf of CLIMBS Life and General Insurance Cooperative, congratulations and let's continue doing things together!

Noel D. Raboy
President & CEO
CLIMBS Life and General Insurance Cooperative

MESSAGE FROM PRESIDENT & COO



This year marks yet another important milestone for us as we celebrate the 4th Annual Stockholders Assembly for CCLPI PLANS. Doubling the 2018 sales performance serves as a turning point to reach this level with the support of our excellent partners, stockholders, management, and staff.

Our unique and comprehensive framework allows us to perform effectively and efficiently despite the challenges confronting the industry. Board members, management and staff, have created synergy to work together to expand and continuously enhance the dealing production towards achieving business goals of CCLPI PLANS.

We may be facing challenges brought about by this pandemic (COVID-19) but we believe this will create chances of compassion, motivation, and courage to face the future with enthusiasm and optimism.

Indeed, we are grateful and honored to be part of this growing entity embodied with an outstanding Stockholders and Board of Directors comprised with the management and staff. May we continue our joint venture with the blessing of our Almighty God.

CONGRATULATIONS CCLPI PLANS!!!

A handwritten signature in black ink, appearing to read 'Mansueto V. Dela Peña'.

Mansueto V. Dela Peña
President & COO

BOARD OF DIRECTORS & OFFICERS



Mr. Renato S. Dychangco Jr.
Chairman



Judge Antonio Manuel A.
Alcantara(Ret.)
Vice-Chairperson



Mr. Alvin Yap Tan Unjo
Treasurer/Director



Engr. Ronald G. Chan
Director



Mr. Exequiel D. Robles
Director



MGen. Gilbert S. Llanto
Director



Atty. Daniel O. Evangelio Jr.
Director



Mr. Noel D. Raboy
Director



Mr. Ferdinand Matthew D. Reyes
Director



Atty. Kerwin K. Tan
Director



Mr. Floriano R. Hilot
Assist. Treasurer/Independent
Director



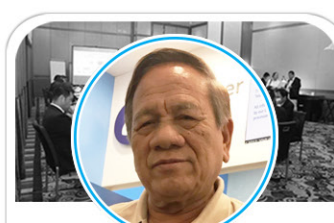
Mr. Augustus J.V. Ferreria
Independent Director



Mr. Fermin L. Gonzales
Chief Executive Officer



Mr. Mansueto V. Dela Peña
President & COO



Atty. Isidro Q. Lico
Corporate Board Secretary

CCLPI PLANS MANAGEMENT TEAM



EXECUTIVE



Mr. Fermin L. Gonzales
Chief Executive Officer



Mansueto V. Dela Peña
President & COO



Antonio R. Dosdos
Vice-President
Sales & Marketing

MANAGERS



Revecita P. Salarda
Operations Manager



Jecthel P. Salac
HRAD Manager



Romeo U. Odarve
IT Manager



Vida Marie V. Generao
Area Marketing Manager(Luzon)



Christine P. Olalo
Area Marketing Manager(Mindanao)



Jed Francis V. Bullecer
Regional Sales Manager(Visayas)

CCLPI PLANS EMPLOYEES



Fermin L. Gonzales

President & CEO



Mansueto V. Dela Peña
Chief Operations Officer



Revecita P. Salarda
Operations Manager



Jecthel P. Salac
HRAD Manager



Junmar N. Verdejo, CPA
Accountant



Romeo U. Odarve
IT Manager



Shiela A. Alindajao
Account & Claims Officer



Gio A. Perez
IT Programmer



Alvin J. Damasco
Web Admin/Layout Artist



Dolly Jane B. Argabio
Finance Cashier



Jeanlou O. Apdian
Admin Assistant



Grace A. Nalzaro
Bookkeeper



Leizel G. Babia
Accounting Clerk



Marrianny C. Luminsa
Insurance & Claims Assistant



John Michael M. Ura-ura
Driver/Messenger

AREA ADMIN/CASHIER



Eva M. Edpalina

Admin Cashier(Davao Area)



Sheila Marie B. Vallejos

Admin Assistant(Cebu Area)



Ivy Marie T. Bayno

Admin Cashier(Cebu Area)



MARKETING



Antonio D. Dosdos

Vice-President Sales & Marketing



Christine P. Olalo

Area Marketing Manager(Mindanao)



Vida Marie V. Generao

Area Marketing Manager(Luzon)



Jed Francis V. Bullecer

Regional Sale Manager(Visayas)



Jubairah M. Sultan

Training Officer



Salve Amor S. Sudario

Marketing Officer(Davao)



Glenda B. Horstman

Marketing Coordinator



Geraldine D. Campos

Marketing Coordinator



Juan Antonio F. De Dios

Marketing Coordinator



Romon A. But

Marketing Coordinator

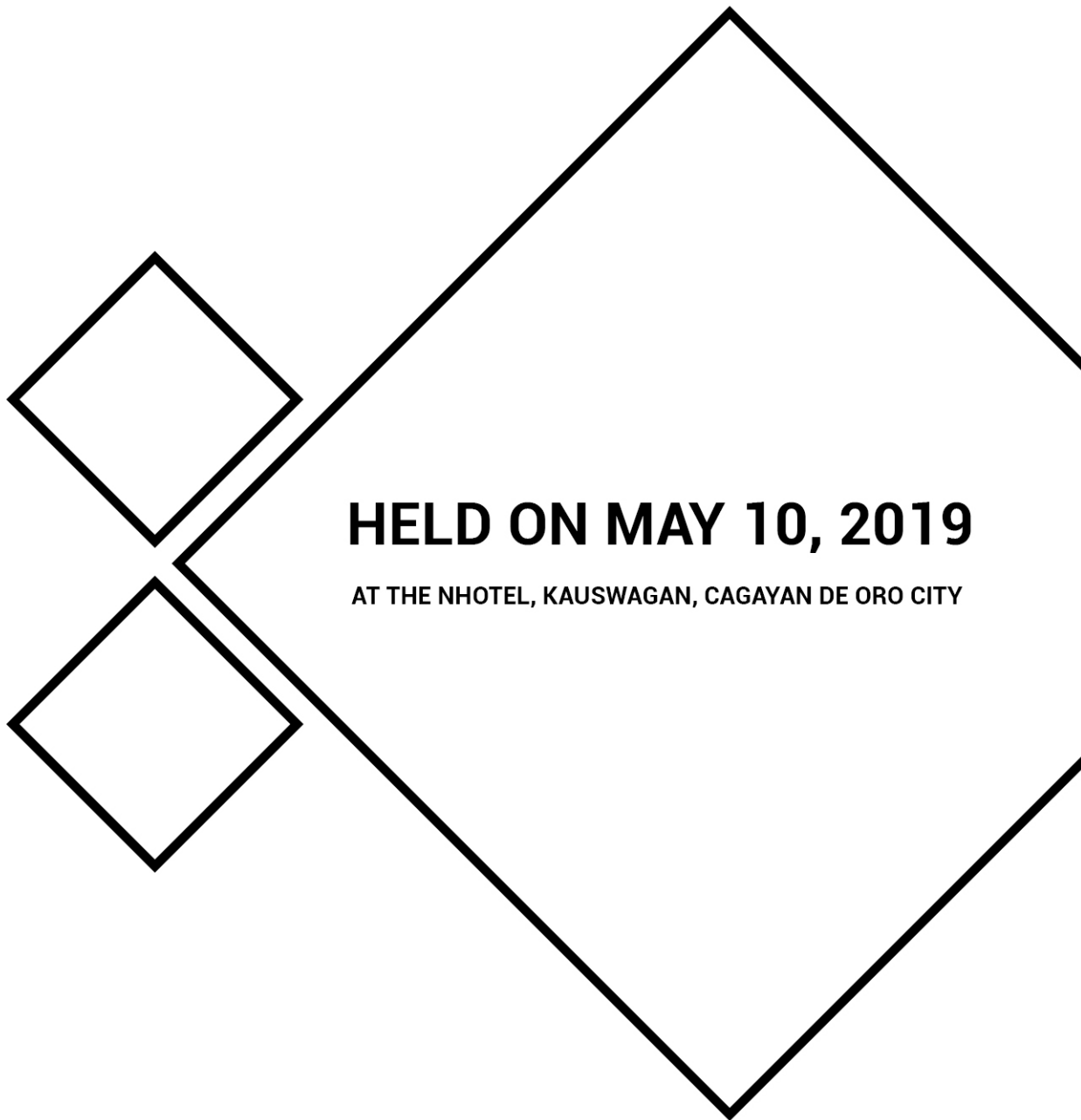


Guada Mae C. Antipuesto

Marketing Assistant



**MINUTES OF THE 3rd STOCKHOLDERS
REGULAR MEETING OF
COSMOPOLITAN CLIMBS LIFE PLAN, INC.**



HELD ON MAY 10, 2019

AT THE NHOTEL, KAUSWAGAN, CAGAYAN DE ORO CITY

MINUTES OF THE 3rd STOCKHOLDERS REGULAR MEETING OF COSMOPOLITAN CLIMBS LIFE PLAN, INC. HELD ON MAY 10, 2019 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
Mr. Fermin L. Gonzales	- Member/Chief Executive Officer
Mr. Mansueto V. Dela Peña	- Member/President & COO
Mr. Augustus Ferreria	- Member

Excused:

Atty. Kerwin K. Tan	- Member
Mr. Napoleon Sentillas	- Member
Mr. Ferdinand Matthew D. Reyes	- Member
Mr. Exequiel D. Robles	- Member

Also Present:

Mr. Noel D. Raboy	- CLIMBS CEO & President
Atty. Daniel O. Evangelio, Jr.	- Corporate Secretary, Board of Directors
Mr. Pacenciano A. Tomarong	- AIM Coop CEO
Mr. Antonio R. Dosdos	- CCLPI VP- Sales & Marketing
Ms. Jhuben Nina D. Casino	- External Affairs ACDI MPC
Mr. Floriano Hilot	- Oro Integrated Cooperative CEO
Mr. Darwin Ivan Carrasco	- Actuarial Consultant
Ms. Revecita P. Salarda	- Operations Manager
Ms. Christine P. Olalo	- Area Marketing Manager – Mindanao
Mr. Junmar N. Verdejo, CPA	- 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

I. CALL TO ORDER

The stockholders meeting started by an invocation and an opening remark from CEO Fermin Gonzales. Welcome address by President & COO Mansueto V. Dela Pena. Inspirational message from Chairman Renato "Oly" Dychangco Jr.

Chairman Renato "Oly" Dychangco, Jr. called the meeting to order at 10:00 AM.

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. 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 Dychangco 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

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

Resolution No. 01, Series of 2019

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 dispense the reading of minutes of the 2nd Stockholder's Meeting.

Motion Carried.

Business Arising from Previous Meeting

Update on the micro preneed was requested which was discussed on page 15. President Dela Pena responded in behalf of the management that there were already discussions with the actuary since the company's product with 30K, 40K, and 50K can be considered as a pre-need product, so the management opted not to pursue the creation of the pre-need product. However, the possible product that can be bundled with our existing product will be the retirement plan which will be able to compete with the money-back guarantee scheme of other pre-need companies. He also reiterated the ongoing discussion with CLIMBS on the bundling of Group Yearly Renewable Term (GYRT) insurance for interment purposes.

Resolution No. 02, Series of 2019

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

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the minutes of the previous Stockholders Meeting held on April 18, 2018.

Motion Carried.

V. ANNUAL REPORT

President Dela Pena presented the management annual report year ending December 31, 2018

	2017	2018
Assets	138 M	159 M
Revenue	.250 M	21.4 M
Expenses	8 M	23.7 M
Income/Loss	-8.4 M	-2.6 M
Premium	-	20 M
Policy Sold		
Mindanao	54 %	
Visayas	11%	
Luzon	35%	

Highlights:

- a. Hiring of the Vice President for Sales & Marketing, Mr. Antonio R. Dosdos
- b. New marketing promotions and requesting the stockholders to patronize the product
- c. Trip to Singapore, travel incentive for sales counselors that will hit their respective quota.

The audited financial statements were already included in the annual report that was given to the board of directors prior to the stockholder's meeting. As there was no comments or discussions, Director Alcantara moved to approval of the report which was duly seconded by Director Tan Unjo.

Resolution No. 03, Series of 2019

On motion made by Mr. Noel D. Raboy, and duly seconded by Director Antonio Manuel Alcantara it was:

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the Audited Financial Statements and Annual Report for the year 2018.

Motion Carried.

VI. ELECTIONS OF DIRECTORS

Point of inquiry made by Mr. Noel D. Raboy, as part of the Insurance Commission requirement to create a remuneration committee.

Resolution No. 04, Series of 2019

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 creation of CCLPI Plans Remuneration Committee.

Motion Carried.

Since there is no existing CCLPI Elections Committee, Director Alcantara moved to appoint President & COO Dela Pena as temporary chairman for this election proper and duly seconded by Director Chan.

Resolution No. 05, Series of 2019

On motion made by Director Antonio Manuel Alcantara, and duly seconded by Director Ronald Chan it was:

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the creation temporary appointment of President & COO Mansueto Dela Pena as chairman of the elections for Board of Directors 2019.

Motion Carried.

CCLPI Plans Board of Directors will consist of 5 Directors from the corporate side and the other 5 Directors from the cooperative side and 2 Independent Directors. After casting of votes, the Elecom Chairman has closed the election and proceeded to start the counting by designating the Operations Manager, Ms. Revecita Salarda to supervise.

While waiting for the elections result, the body proceeded to the appointment of external auditor for 2019. Director Tan Unjo suggested to retain the same external auditor for 2019.

Resolution No. 06, Series of 2019

On motion made by Director Alvin Tan Unjo and seconded by Director Ferreria it was:

RESOLVED, AS IT IS HEREBY RESOLVED, to retain Garsuta & Quilab as external auditor for 2019 operations.

Motion Carried.

VII. New Business

CEO Gonzales brought up the possible expansion the company may undertake in the future. Expansions in terms of product like venturing into retirement plan that may cover both the cooperative and private sector employees. Another new business to take into consideration if to invest in putting up mortuaries in areas that we do not have an accredited mortuary partner or areas that are in need of a mortuary.

Business engagement of CCLPI Plans with the cooperative to be introduce a new loan product for coop members (Angelica Life Plan Loan) payable in 5 years. This is not a traditional loan but a social clamour of a member. Encouraging public awareness especially for coop stakeholders. CEO Gonzales further added that the cooperative may transform its Coop Assurance Center (CAC) as an ideal profit centered unit to augment their bottom line if properly done.

Mr. Pacenciano Tomarong also discussed their activities in AIMCoop for the year 2019 which will also focus on expansion of their funeral service operations and business integration on funeral partnership for the entire Philippines. He further reiterated the services they give to their members which they can readily use during emergencies (for death care services). Non-members can also avail of the casket. If accredited mortuary partner renders service, AIMCoop will pay the funeral package. They also offered to make Angelica Life Plan as a product rider. Making the product readily marketable to their mortuary partners.

Chairman Dychangco Jr. once again emphasized the company's aim is not to be branded like other pre-need companies and be extra careful in dealing with other mortuary partners. He announced that on the upcoming PMA convention, they will invite coop banks if they also want to invest and work out things together.

VIII. Announcement of Election Result

Cooperative Group		Private Group	
Alcantara, Antonio (PHCCI)	19,639,997	Dychangco, Renato	15,625,000
Raboy, Noel (CLIMBS)	12,000,002	Robles, Exequiel	14,062,501
Chan, Ronald (INCOME)	10,640,997	Tan-Unjo, Alvin	14,062,501
Evangelio, Daniel (TCC)	5,241,002	Tan, Kerwin	8,437,501
Llanto, Gilbert (ACDI)	5,041,002	Reyes, Ferdinand	6,249,996

Under the agreement, the Chairman will be from the Private side and the Vice Chairman will be from the Cooperative.

XI. ADJOURNMENT

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

Resolution No. 07, Series of 2019

RESOLVED, AS IT IS HEREBY RESOLVED, to commend the Stockholders, Board of Directors, Officers, Management and Staff for the success of the 3rd Annual Stockholders Meeting.

Motion carried.

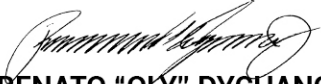
The 3rd Annual Stockholders Meeting was adjourned at 11:54 AM.

This is to certify that the aforementioned minutes of the 3rd Stockholder's Meeting of Cosmopolitan Climbs Life Plan, Inc. (CCLPI) held on May 10, 2019 is true and correct.



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

Noted:



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

File/

CCLPI Plans 2019 HIGHLIGHTS OF ACTIVITY



LUZON

- **General Assembly of Infanta Credit Development Cooperative**
Infanta Quezon, March 23, 2019
- **Monthly Meeting with Ms. Myrna Yu's Group in Cosmopolitan, Araneta**
April 2019 – December 2019
- **Product Presentation at Union of Catholic Church Based Cooperative at Quezon Ave. Q. C., April 2019**
- **Product Presentation at Lodlod Multipurpose Cooperative**
Batangas, July 16, 2019
- **Product Orientation of Angelica Life Plan for PSSLA Marketing Agents 2nd Batch**
Cubao, Q.C., July 17, 2019
- **Product Presentation of Mr. Juvy Palma's Group at the Office**
Ortigas, November 25, 2019
- **Pre Need Christmas Party Celebration**
December 5, 2019
- **Product Presentation SF Tungko group**
December 7, 2019
- **Christmas Party of Phil. Mortuary Assn.**
December 12, 2019

VISAYAS

- **Indoor Summer Picnic-Fast track- Leveling Up**
Cosmo Agency, June 14, 2019
- **Product Presentation During Stake Holders Meeting**
Guadalupe Community MPC – June 16, 2019
- **Product Presentation During PMES**
Guadalupe Community MPC

- **Stake Holders Forum- Visayas**
CLIMBS - July 12, 2019
- **Product Presentation- COWASCO**
Fonus Cebu - July 13, 2019
- **Product Presentation During PMES**
Guadalupe Community MPC - July 14, 2019
- **3rd Annual General Assembly**
Fonus Cebu - July 19, 2019
- **Annual PMA Convention**
Phil. Mortuary Association
- **Induction Ceremony Of 2019-2020 Board of Director and Officers**
Board of Directors - July 26, 2019
- **40th Annual Assembly Bangkoop**
Cooperative Bank of Bohol - July 30-31, 2019
- **Product Presentation Bohol Community MPC**
CCLPI Office - October 10, 2019
- **1st CAC Summit Visayas**
CLIMBS Visayas - October 23, 2019
- **Business Opportunity Meeting**
CCLPI Main Office - October 28, 2019
- **Product Presentation for New SC**
Cosmo Sales Agency - November 12, 2019
- **Agency Meeting**
Agencies of Antique & Iloilo - July 11, 2019
- **BOD & Primary Coops of Fonu-Antique**
Fonu Federation Cooperative-Antique - July 4-5, 2019
- **Membership Education Seminar**
Barbaza Multi-Purpose Cooperative Hamtic Branch - July 20, 2019
- **BOD Product Presentation**
San Jose Multi-Purpose - Main - August 29, 2019
- **Product Presentation Fonu Federation Cooperative**
Antique - September 14, 2019
- **Coop Visit, Barbaza Multi-Purpose Cooperative Main, Bugasong MPC, San Jose MPC Belison MPC & Fonu-Antique**
Antique Area- September 25-26, 2019
- **Agency Jumpstart**
Agencies of Antique & Iloilo, December 5, 2019

MINDANAO

- **PIEMCO partnership with CCLPI Plans**
June 7, 2019
- **CCLPI Davao 1st weekly orientation**
July 17, 2019
- **CCLPI CDO 1ST weekly orientation.**
June 15, 2019
- **MOA Signing Forest Lane and CCLPI**
July 9, 2019
- **CCLPI attended the opening of one of its General Agency's office in Cagayan de Oro City - Desa General Insurance And Financial Services Agency, Inc.**
July 8, 2019
- **CCLPI Mindanao Sales Team attended the Sta. Monica of Pnagantucan Board Of Director's Meeting**
August 12, 2019
- **CCLPI Sales & Marketing Head Office conduct its first General Agency Meeting held at Mallberry, Cagayan de Oro City**
August 16, 2019
- **CCLPI Mindanao Sales Team attended the grand opening of DESA Office in Malita, Davao.**
September 18, 2019
- **Memorandum of Agreement signing between CCLPI and Sta. Monica of Pangantucan Multi-purpose Cooperative**
October 1, 2019
- **Memorandum of Agreement Signing between CCLPI and Bukidnon Government Employees Multi-purpose Cooperative**
October 10, 2019
- **Business Opportunity Meeting in Tagum with over 125 Participants.**
October 12, 2019
- **Business Opportunity Meeting in Cagayan de Oro City held at De Luxe Hotel**
October 25, 2019
- **CCLPI Mindanao Sales Team Attended the grand opening of DESA Office in Tagum**
November 25, 2019
- **CCLPI Southern Mindanao Sales Team conducted its very first Sales Planning and Budgeting to its Sales Distribution Channels**
November 26, 2019
- **CCLPI Northern Mindanao Sales Team conducted its very first Sales Planning and Budgeting to its Sales Distribution Channels**
December 1, 2019
- **Northern Mindanao Sales Agent Christmas Party**
Cagayan de Oro City - December 1, 2019

2019 MEMORIAL SERVICE BENEFIT RENDERED



TOTAL NUMBER OF MSB RENDERED

34

TOTAL MSB COVERAGE

Php **2,310,000**

CONGRATULATIONS!

flies to

Team Angelica
Singapore

AWARDES

SAMUEL GEORGE SISON SR. (Double Qualifiers)

Agency Manager

Total FYP : 8,055,070.00

RIC Q. GALIDO

Unit Manager

Total FYP : 2,139,260.00

MARY MIGNOTETTE L. POGOY

Unit Manager

Total FYP : 1,560,940.00

Cosmo Sales Agency in Davao led by Mr. Samuel George Sison, is this year's qualifier for trip to Singapore, doubling his set target with a total FYP of P 8,055,070.00. as of December 31, 2019.

Earlier this year, CCLPI Plans launched its Annual Sales Drive dubbed as **#SalesPaMoreToSingapore** to all its Sales Associates. The said incentive will be rewarded for a trip to Singapore to those will put in the extra efforts to hit their sales targets for the fiscal year.

Mr. Sison along his team have been consistently on the top list as the Performing Sales Agency nationwide.

"There are no shortcuts in obtaining best sales practices. Stick to the basics and always follow sales process. Always keep your prospect list full and ask for referrals regularly. Nobody in the team is invulnerable, everybody is accountable. Always be attentive to details, team's activities, behavior and statistics. Be firm and strict but flexible and considerate," he said.

Cosmo Sales Davao has always been an inspiration to all its associates and continues to be a model being awarded as the Agency of the Year.

"If you feel being ineffective in this profession and you still want to pursue, change the way you think—Mindset. Then, rectify your working habits since eventually, attitude will follow. Hone your Selling Skills—Basics of Selling. Lastly, love your Family," Sison advised.

However, due to Covid-19 Pandemic which significantly affected tourism and international travels, the said trip was cancelled.

"Excitement extinguished of course. But on a heavier note, I'm thankful of the achievement and grateful for the safety considerations the company had considered," he expressed.

Nevertheless, Mr. Sison extends his gratitude to CCLPI who sought safety as a precedence while compensating the cancellation of the trip with a conversion similarly equivalent to the travel incentive reward.

Financial Statements of

Cosmopolitan CLIMBS Life Plan, Inc.

December 31, 2019 and 2018

And

Report of Independent Auditors



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, 2019 and 2018, 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, 2019 and 2018, 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.

April 15, 2020, Cagayan de Oro City, Philippines.


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


RONALD G. CHAN
Treasurer


FERMIN L. GONZALES
Chief Executive Officer


MANSUETO V. DELA PEÑA
President/Chief Operating Officer

REPORT OF INDEPENDENT AUDITORS

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

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, 2019 and 2018, 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, 2019 and 2018, 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.

PTR No. 4556063 A
January 2, 2020
Cagayan de Oro City

April 15, 2020
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2019	2018
		(As Restated) (Note 26)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱78,658,494	₱125,140,115
Trade and other receivables (Note 5)	1,702,826	1,673,267
Prepaid expenses (Note 6)	1,158,052	1,131,297
Total Current Assets	81,519,372	127,944,679
Non-Current Assets		
Property and equipment and right-of-use asset (Note 7)	7,457,669	5,691,887
Investments in financial instruments (Note 8)	65,456,869	10,000,000
Investment in Trust Fund – Life Plan (Note 9)	17,156,362	11,682,272
Insurance Premium Fund (Note 10)	950,000	–
Other assets (Note 11)	551,427	600,440
Total Non-Current Assets	91,572,327	27,974,599
	₱173,091,699	₱155,919,278
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Deposits for future subscriptions (Note 14)	₱7,000,000	₱10,000,000
Trade and other payables (Note 12)	6,450,399	2,399,338
Lease liability (Note 7)	379,440	–
Total Current Liabilities	13,829,839	12,399,338
Non-Current Liabilities		
Aggregate reserves for risks (Note 13)	13,146,469	3,513,382
Lease liability (Note 7)	431,746	–
Total Non-Current Liabilities	13,578,215	3,513,382
Total Liabilities	27,408,054	15,912,720
Shareholders' Equity		
Share capital (Note 14)	154,487,500	151,050,000
Revaluation reserves on FVTOCI investments (Note 9)	713,882	(397,680)
Retained earnings (deficit) of Trust Fund – Life Plan (Note 15)	(413,605)	54,452
Deficit (Note 15)	(9,104,132)	(10,700,214)
Total Shareholders' Equity	145,683,645	140,006,558
	₱173,091,699	₱155,919,278

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,	2019	2018
		(As Restated) (Note 26)
REVENUE		
Premiums (Note 16)	₱41,373,088	₱18,427,947
Investments income (Note 17)	6,761,874	3,767,878
Trust fund income (Note 9)	778,794	99,940
Miscellaneous	182,389	16,986
Total Revenue	49,096,145	22,312,751
COSTS AND EXPENSES		
Cost of contracts issued:		
Increase in aggregate reserves for risks (Note 13)	9,633,087	3,513,382
Plan benefits expense (Note 13)	1,091,092	25,500
Other direct costs and expenses (Note 18)	14,750,198	5,023,160
Total Costs of contracts issued	25,474,377	8,562,042
Salaries, wages, and employees' benefits (Note 19)	10,632,352	7,524,686
General and administrative expenses (Note 20)	9,018,124	7,058,837
Depreciation and amortization (Notes 7 and 11)	1,335,133	577,757
Total Costs and Expenses	46,459,986	23,723,322
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE	2,636,159	(1,410,571)
INCOME TAX EXPENSE (Note 21)	(1,508,134)	(773,564)
PROFIT (LOSS) FOR THE YEAR (Notes 15 and 23)	1,128,025	(2,184,135)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will not be recycled subsequently to profit or loss</i>		
Fair value gain (loss) on investment in Trust Fund – Life Plan (Note 9)	1,111,562	(429,403)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱2,239,587	(₱2,613,538)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2019	2018
		(As Restated) (Note 26)
SHARE CAPITAL (Note 14)		
Ordinary (Common) Shares		
Opening balances	₱131,250,000	₱125,306,000
Additional subscriptions received during the year	3,437,500	5,944,000
Closing balances	134,687,500	131,250,000
Preference Shares		
Opening balances	19,800,000	19,744,000
Additional subscriptions received during the year	—	56,000
Closing balances	19,800,000	19,800,000
Total Share Capital	154,487,500	151,050,000
REVALUATION RESERVE ON FVTOCI INVESTMENTS		
Opening balances, as originally stated	(317,728)	31,723
Recognizing realized trust fund income to profit or loss (net) (Note 26)	(79,952)	—
Opening balances, as restated	(397,680)	31,723
Other comprehensive income (loss) for the year (Note 9)	1,111,562	(429,403)
Closing balances	713,882	(397,680)
RETAINED EARNINGS (DEFICIT) – TRUST FUND – LIFE PLAN (Note 15)		
Opening balances	54,452	—
Profit (loss) for the year	(468,057)	54,452
Closing balances	(413,605)	54,452
DEFICIT		
Opening balances, as originally stated	(10,725,714)	(8,461,627)
Recognizing realized trust fund income to profit or loss (Note 26)	99,940	—
Recognizing final taxes on the trust fund income (Note 26)	(19,988)	—
Separating retained earnings of Trust Fund – Life Plan (Note 15)	(54,452)	—
Opening balances, as restated	(10,700,214)	(8,461,627)
Profit (loss) for the year (Note 15)	1,596,082	(2,238,587)
Closing balances	(9,104,132)	(10,700,214)
	₱145,683,645	₱140,006,558

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,	2019	2018
		(As Restated) (Note 26)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax expense	₱2,636,159	(₱1,410,571)
Add adjustments:		
Depreciation and amortization (Notes 7 and 11)	954,844	577,757
Depreciation of right-of-use assets (Note 7)	380,289	—
Increase in actuarial reserve liabilities (Note 13)	9,633,087	3,513,382
Provision for impairment on trade and other receivables (Note 5)	21,239	5,290
Interest expense on lease liability	58,628	—
Investments and trust fund income (Notes 9 and 17)	(7,540,668)	(3,667,938)
Net cash provided from (used for) operations	6,198,578	(982,080)
Changes in working capital, excluding cash and cash equivalents:		
Increase in trade and other receivables (Note 5)	(50,798)	(1,578,998)
Decrease (increase) in prepaid expenses (Note 6)	(26,755)	56,850
Increase in trade and other payables (Note 12)	4,051,061	691,247
Net cash generated from (used for) operations	10,117,086	(1,812,981)
Income taxes paid (Note 21)	(1,508,134)	(773,564)
Net Cash Provided by (Used for) Operating Activities	8,608,952	(2,586,545)
CASH FLOWS FOR INVESTING ACTIVITIES		
Investments in financial instruments (Note 8)	(55,456,869)	(10,000,000)
Increase in investment in Trust Fund – Life Plan (Note 9)	(4,362,528)	(79,952)
Investment in Insurance Premium Fund (Note 10)	(950,000)	—
Investments income (total) (Notes 9 and 17)	7,540,668	3,667,998
Acquisition of property and equipment (Note 7)	(1,852,544)	(5,006,852)
Increase in other non-current assets (Note 11)	(26,800)	(205,000)
Net Cash Used for Investing Activities	(55,108,073)	(11,623,866)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments received from capital stock subscriptions (Note 14)	3,437,500	6,000,000
Acceptance/(withdrawal) of deposits for future subscriptions (net) (Note 14)	(3,000,000)	10,000,000
Payment of lease principal and interest (Note 7)	(420,000)	—
Net Cash Provided from Financing Activities	17,500	16,000,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,481,621)	1,789,589
OPENING CASH AND CASH EQUIVALENTS	125,140,115	123,350,526
CLOSING CASH AND CASH EQUIVALENTS (Note 4)	₱78,658,494	₱125,140,115

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Cosmopolitan CLIMBS Life Plan, Inc.

As of and for the Years Ended December 31, 2019 and 2018

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. It obtained its secondary license from the Insurance Commission (IC) on August 9, 2017. It received from IC its Permit to Offer Pre-Need Plans 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 country.

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

Note 2

Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

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.

The financial statements have been prepared under the assumptions that the Company operates on a going concern basis.

Basis of Preparation

The financial statements have been prepared using the historical cost basis, except for financial instruments that are measured at fair values at the end of the year, as explained in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

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. 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.

Adoption of New and Amended PFRS Standards that are Effective for the Current Year

Impact of Initial Application of PFRS 16 Leases

In the current year, the Company has applied PFRS 16 that is effective for annual periods that begin on or after January 1, 2019.

PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of PFRS 16 on the Company's financial statements is described below.

The date of initial application of PFRS 16 for the Company is January 1, 2019.

Impact of PFRS 16 Leases on the Company as a Lessee

PFRS 16 changes how the Company accounts for leases previously classified as operating leases under PAS/IAS 17, which were off-balance sheet items. In applying PFRS 16 for all leases, the Company: (a) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments; (b) recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss, and (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS/IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line basis.

Under PFRS 16, right-of-use assets are tested for impairment in accordance with PAS/IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognize a lease expense on a straight-line basis as permitted by PFRS 16. This expense is presented in 'rent expenses' in the statement of profit or loss.

Impact of PFRS 16 Leases on the Company as a Lessor

PFRS 16 does not change substantially how the Company accounts for leases as a lessor. Under PFRS 16, the Company continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. PFRS 16, however, has changed and expanded the disclosures required, in particular with regard to how the Company manages the risks arising from its residual interest in leased assets.

The Company is not a lessor and it has no investment property.

Approach at Adoption of PFRS 16 Leases

The Company has applied PFRS 16 using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of Retained Earnings (Deficit) for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS/IAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS/IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of PFRS 16, on January 1, 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of PFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to PFRS 16, the incremental borrowing rate applied to lease liabilities recognized under PFRS 16 was 5.0%. (See Note 7.)

Financial Impact in 2019 of the Initial Application of PFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of PFRS 16 for the current and prior years.

Impact on Profit or Loss

<u>Year Ended December 31,</u>	<u>2019</u>
Increase in depreciation of right-of-use asset (Note 7)	₱380,289
Increase in finance costs (Note 7)	58,628
Decrease in rental expenses (Note 7)	(420,000)
Net Decrease in Net Surplus for the Year	₱18,917

Impact on Assets, Liabilities and Equity

<u>December 31,</u>	<u>2019</u>
Increase in right-of-use asset – net (Note 7)	₱792,269
Increase in lease liability (Note 7)	(811,186)
Net adjustments to Deficit	–
Net Effect	(₱18,917)

Impact on the Statement of Cash Flows

The application of PFRS 16 has an impact on the statement of cash flows of the Company as a lessee. Under PFRS 16, the Company, as a lessee, must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by PAS/IAS 7 (the Company has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under PAS/IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. In adopting PFRS 16, the net cash used for operating activities has been reduced by ₱58,628, being the interest on lease liabilities, and the net cash used for financing activities was increased by the same amount.

The impact on net cash flows of the adoption of PFRS 16 is described in the foregoing.

Applying Amendments to PFRS Standards and Interpretations Effective January 1, 2019

In the current year, the Company has applied a number of amendments to PFRS Standards and Interpretations issued by the IASB and concurred by the Philippine Financial Reporting Standards Council (FRSC) that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PFRS 9 Prepayment Features with Negative Compensation

The Company has adopted the amendments to PFRS 9 for the first time in the current year. The amendments to PFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (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, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The adoption of the amendment did not have an impact on the current year's financial statements as the Company does not have prepayment features with negative compensation.

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 other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies PFRS 9 to such long-term interests before it applies PAS/IAS 28. In applying PFRS 9, the Company does not take account of any adjustments to the carrying amount of long-term interests 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 to PAS/IAS 28 have had no impact on the Company as it has no 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

The Company has adopted the amendments included in the *Annual Improvements to PFRS Standards 2015–2017 Cycle* for the first time in the current year. The Annual Improvements include amendments to four Standards:

- PAS/IAS 12 *Income Taxes* – The amendments clarify that the Company should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company 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 clarify that when the Company obtains control of a business that is a joint operation, the Company 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 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 Company does not remeasure its PHI in the joint operation.

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. The Company 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 adoption of the amendment did not have an impact on the current year's financial statements as the Company defers the computation of the retirement benefit obligation of its personnel as most of the personnel have just completed two years of employment in the Company at the end of 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to: (a) determine whether uncertain tax positions are assessed separately or as a group; and (b) 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 Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; (ii) if no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The adoption of IFRIC 23 has had no impact on the Company.

New and Revised PFRS Standards in Issue but not Yet Effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised PFRS Standards that have been issued but are not yet effective [and, in some cases] had not yet been adopted by the Philippine FRSC:

- PFRS 17 *Insurance Contracts*
- PFRS 10 and PAS/IAS 28 (Amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 3 *Definition of a business*
- Amendments to PAS/IAS 1 and PAS/IAS 8 *Definition of material*
- Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards*

The Board of Directors do 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 17 Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts*. PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

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

The Standard is effective for annual reporting periods beginning on or after January 1, 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. An exposure draft *Amendments to IFRS 17* addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022. The Financial Reporting Standards Council (FRSC) and the SEC have adopted the Standard for adoption in the Philippines beginning January 1, 2021 as PFRS 17. The Philippine Insurance Commission (IC) however has approved to defer the implementation of PFRS 17 to January 1, 2023 citing the need for additional period of time to address issues related to resources, education and taxation, among other reasons. (Ref. IC Circular Letter No. 2018-69, dated December 28, 2018)

In adopting PFRS 17, the Company is cognizant of its impact not only in its financial reporting processes but more importantly of the potentially significant impact of PFRS 17 in the Company operations and the pre-need industry as a whole. It is critical that implementation of PFRS 17 be given the time, resources, and oversight it requires. The Company is hoping that the extension granted by the Insurance Commission of the adoption of the standard will provide ample time for the Company to understand and quantify its impact in its operations.

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The management of the Company does not anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

Amendments to PFRS 3 Definition of a 'Business'

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to PAS/IAS 1 and PAS/IAS 8 Definition of 'Material'

The amendments are intended to make the definition of material in PAS/IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in PFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in PAS/IAS 8 has been replaced by a reference to the definition of material in PAS/IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in PFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted. The Philippine FRSC and the SEC have not yet issued local advice on the adoption of these amendments.

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. It also include designated cash for insurance premium fund. Cash equivalents (including those invested in trust funds and financial instruments) 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. Cash

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.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

(i) Amortized Cost and Effective Interest Method

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

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

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

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

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Debt Instruments Classified as at FVTOCI

The investment in trust fund – life plan administered by a trustee includes investments in debt instruments that are classified as at FVTOCI. The investments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these investments as a result impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these investments had been measured at amortized cost. All other changes in the carrying amount of these investments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these investments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity Instruments Designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; or (2) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

(iv) Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Company has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'Investment Income' line item (Note 17). Fair value is determined in the manner described the Company's significant accounting policies.

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL (expected credit losses) for trade and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

(i) Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

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

- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

(ii) Definition of Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-Off Policy

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

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

(v) Measurement and Recognition of Expected Credit Losses (ECL)

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

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

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

Derecognition of Financial Assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as Debt or Equity

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

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Investment Income' line item (Note 17) in profit or loss.

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

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss.

Financial Liabilities Measured Subsequently at Amortized Cost

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

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

Derecognition of Financial Liabilities

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

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Prepayments

Prepaid expenses are expenditures paid for in one accounting period, but for which the underlying assets will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

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 major renovations or cost of replacing part of such property and equipment when it is probable that future economic benefits arising from the renovations will flow to the Company.

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.

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. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

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.

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) for life plans represents the accrued net liabilities of the Company to its planholders. Insurance premium reserve (IPR) is set up as additional reserves to pay for premiums of insurance coverage of fully paid planholders.

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 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's revenue arises primarily from the sale of a pre-need product and secondarily from investment-related transactions such as investment income, dividend income, interest income and other sources of revenues. Management has determined that the revenue from pre-need operations is within the scope of PFRS 4 while the income from investments in financial instruments is within the scope of PFRS 9. Incomes from other sources are within the scope of PFRS 15.

The Company recognizes revenue as follows:

(1) Premiums Revenue

Revenue from sale of a pre-need product 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, 2023.

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 and insurance premium 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 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.
- Income generated from Investment in Trust Fund – Life Plan is restricted in nature. In accordance with the provisions of Section 30 of the Pre-Need Code, the trust fund income is intended only 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. The Company made an irrevocable election at initial recognition to measure the investments of trust fund at FVTOCI with only dividend income recognized in profit or loss.

Trust fund income (net of the allowed payments) is accumulated in Retained Earnings (Deficit), Trust Fund – Life Plan.

(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.

- Plan 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.

Leases

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS/IAS 17 and IFRIC 4.

Policy Applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

Leases – The Company as Lessee

The Company's leases substantially involve the use of office spaces that are used for its Head Office and regional offices dispersed throughout the Philippines.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of the property and equipment account in the statement of financial position.

The Company applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Rent" in profit or loss. (See Note 20.)

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases – The Company as Lessor

Leases, for which the Company is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The Company is not a lessor of properties.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies PFRS 15 to allocate the consideration under the contract to each component.

Policy Applicable Before January 1, 2019

For contracts entered into before 1 January 2019, the Company determined 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 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 than 12 months after the statement of financial position date are discounted to present value.

Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except: (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except: (a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the

deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing the profit for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Contingencies

A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Events After Reporting Date

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 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In applying the Company's accounting policies, which are described in Note 2, *Summary of Significant Accounting Policies*, the management of the Company is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Company have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the 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 periods presented.

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.

Key Sources of Estimation Uncertainty

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

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:

<i>December 31,</i>	2019	2018
Cash on hand and revolving funds	₱155,000	₱110,000
Cash in banks	22,855,738	27,448,432
Short-term placements in banks	56,597,756	97,581,683
Total	79,608,494	125,140,115
Designated for Insurance Premium Fund (Note 10)	950,000	—
	₱78,658,494	₱125,140,115

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 (gross) amounted ₱5,543,579 in 2019 and ₱3,278,249 in 2018. (See Note 17.)

Note 5

Trade and Other Receivables

This consists of the following:

<i>December 31,</i>	2019	2018
Advances to officers and employees	₱1,034,722	₱692,267
Accrued interest receivables (Notes 4 and 9)	482,061	926,792
Accounts receivable – others	212,572	59,498
	1,729,355	1,678,557
Less allowance for expected credit losses (ECL)	26,529	5,290
	₱1,702,826	₱1,673,267

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

Allowance for ECL

A reconciliation of the allowance for expected credit losses during the period is presented as follows:

<i>December 31,</i>	2019	2018
Opening balances	P5,290	P-
Provision for impairment losses for the year charged to operations	21,239	5,290
Closing balances	P26,529	P5,290

The recorded ECL pertains to advances to officers and employees and accounts receivable – others. A 12-month ECL was provided at 1% of principal of all the accounts, excluding the advances to marketing coordinator for which the company considers to be uncollectible; an ECL at 100% of principal was charged.

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; no ECL was provided on the account.

Note 6

Details of Prepaid Expenses

<i>December 31,</i>	2019	2018
Deferred filing fees with the Insurance Commission (IC)	P935,774	P980,425
Unused office and marketing supplies	222,278	150,872
	P1,158,052	P1,131,297

The deferred filing fees with IC represent the .01% filing fee of the P1 billion worth of Angelica Life Plan that the Company applied with and subsequently obtained permission from IC to sell the plans. It is amortized to expense as part of the product cost which is matched at every sale of a unit of the plan.

Total filing fees expensed amounted P44,651 in 2019 and P19,575 in 2018. (See Note 18.)

Note 7

Property and Equipment and Right-of-Use Asset

This consists of the following:

<i>December 31,</i>	2019	2018
<u>Property and Equipment</u>		
Service vehicles	P5,154,775	P4,087,668
Office furniture, fixtures and equipment	1,967,550	1,338,032
IT equipment	930,356	780,689
Leasehold improvements	243,928	237,678
	8,296,609	6,444,067
Less accumulated depreciation	1,631,211	752,180
Net	6,665,398	5,691,887
<u>Right-of-Use Asset</u>		
Right-of-use asset	1,172,560	–
Less accumulated depreciation	380,289	–
Net	792,271	–
	P7,457,669	P5,691,887

Reconciliation of Balances

<u>December 31, 2019</u>	<u>Opening Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Closing Balances</u>
<u>Property and Equipment</u>				
Service vehicles	₱4,087,668	₱1,067,107	₱–	₱5,154,775
Office furn., fixtures and equipment	1,338,032	629,519	–	1,967,551
IT equipment	780,689	149,668	–	930,357
Leasehold improvements	237,678	6,250	–	243,928
Total Cost	6,444,067	1,852,544	–	8,296,611
Less accumulated depreciation	752,180	879,031	–	1,631,211
Net	5,691,887	973,513	–	6,665,400
<u>Right-of-Use Asset</u>				
Right-of-use asset	–	1,172,558	–	1,172,558
Less accumulated depreciation	–	380,289	–	380,289
Net	–	792,269	–	792,269
	₱5,691,887	₱1,765,782	₱–	₱7,457,669

December 31, 2018

<u>Property and Equipment</u>				
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

Leases

The Company has three lease contracts all involving lease of offices. The lease on the Company's Head Office covers five years, effective from February 2, 2017 to February 2, 2022, at a monthly rate of ₱35,000 and is reflected in the statement of financial position as a right-of-use asset and a lease liability. The leases on its regional offices are one-year leases, renewable yearly, hence treated as ordinary leases.

The Company discounted the future lease payments on the lease of its Head Office at 5% per annum, the incremental borrowing rate based on an actual offer of a bank for a loan that is collateralized by the investment in financial instruments externally managed by the same bank. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial.

The Company classifies the right-of-use asset to property and equipment at ₱1,172,558, and recognized lease liability of ₱811,186, interest expense of ₱58,628 and depreciation expense of ₱380,289. Total lease payments (including interest) amounted ₱420,000 in 2019, the first year of adoption of PFRS 16.

Lease liability is presented in the statement of financial position as follows:

<u>December 31,</u>	2019	2018
Current (portion due for the next 12 months)	₱379,440	NA
Non-current (portion due in excess of 12 months)	431,746	NA
	₱811,186	NA

Each lease imposes a restriction that, unless there is a written approval of the lessor to sublet the asset to another party, the right-of-use asset can only be used by the Company. The lease contains an option to extend the lease for a further term under such terms and conditions as may be mutually agreed upon by the parties.

The Company is prohibited from selling or pledging the leased property as security. For leases over office spaces premises the Company must keep the properties in good states of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property and equipment inside the lease premises and incur maintenance fees on such items in accordance with the lease contracts.

Note 8

Investments in Financial Instruments

This account consists of the following:

<i>December 31,</i>	2019	2018
Investment in externally managed funds (see below)	P50,456,869	P–
Investments in corporate bonds	15,000,000	10,000,000
	P65,456,869	P10,000,000

Investment Management Agreement (IMA)

As part of its strategies to maximize the earning potentials of the Company's financial assets, the Company signed an IMA on August 1, 2019, with China Banking Corporation – Trust & Asset Management Group (China Bank TAMG) to administer and manage a total of P50 million of the Company's cash and cash equivalents.

Under the IMA, China Bank TAMG (the Investment Manager) has full authority to make investment decisions, based on pre-agreed investment guidelines. The Company however retains legal title to the funds and properties subject to the arrangement. The Investment manager charges the Company 0.5% per annum based on the outstanding principal balance of the fund.

At the end of the year, the Investment Manager reported the following status of the investment:

<i>December 31,</i>	2019	2018
<u>Assets</u>		
Cash in bank	P1,868	P–
Investment in quoted equity securities	540,088	–
Investment in quoted debt securities	49,660,314	–
Other receivables	388,033	–
Total Assets	50,590,303	–
<u>Liabilities</u>		
Trust fees payable	55,828	–
Accrued expenses	77,606	–
	133,434	–
<u>Net Assets</u>	P50,456,869	P–
<u>Net Assets Accounted as Follows:</u>		
Trust fund principal	P50,000,000	P–
Realized gain on sale of financial assets (net of final taxes)	456,869	–
	P50,456,869	P–

The realized gain on sale of financial assets was recognized in profit or loss during 2019 at gross of final taxes, amounting P571,086. (See Note 17.)

The annual report of the Investment Manager indicated that the financial instruments were not impaired at the end of the year.

Investments in Corporate Bonds

This account consists of investments in bonds of the following:

<i>December 31,</i>	2019	2018
Metropolitan Bank & Trust Company	₱10,000,000	₱10,000,000
BDO Unibank, Inc.	5,000,000	—
	₱15,000,000	₱10,000,000

These investments are debt securities with the following features:

- a) Investment in Metropolitan Bank & Trust Company (Metrobank) is 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 are based on a schedule of payment beginning September 17, 2018 up to March 16, 2023.
- b) Investment in BDO Unibank, Inc. is a 5-year, 5.3750% Long-Term Negotiable Certificate of Time Deposit that was purchased last April 12, 2019. The LTNCD will mature on October 12, 2024.

Total interest income earned by these investments (gross) amounted ₱647,209 in 2019 and ₱489,629 in 2018. (See Note 17.) (Net of taxes: ₱517,767 in 2019 and ₱391,703 in 2018.)

Management has determined that the financial instruments were not impaired at the end of the year.

Note 9

Investment in Trust Fund – Life Plan

In compliance with Chapter VIII, Section 30 of the Pre-need Code, 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 the Pre-need Code, 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.

Roll Forward Analyses of Trust Fund Contributions

The following is the analyses of the movement of the trust fund contributions:

<i>December 31,</i>	2019	2010
Opening balances	₱7,966,570	₱—
Contributions during the year (Note 16)	14,934,138	7,992,070
Plan benefit expenses incurred during the year (Note 13)	(1,091,092)	(25,500)
Closing balances	₱21,809,616	₱7,966,570

The amounts of plan benefits deducted from trust fund contributions were based on the actual expenses incurred.

Investment in Trust Fund Vs Trust Fund Contribution Balances

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.

The comparison of the trust fund contributions (net) versus investments in trust fund follows:

<i>December 31,</i>	2019	2018
Trust Fund Contributions (net) (see table previous page)	₱21,809,616	₱7,966,570
Amount of Investment in Trust Fund (see table following)	(17,156,361)	(11,682,272)
Undeposited Contributions (Excess)	₱4,653,255	(₱3,715,702)

The excess of trust fund over contributions in 2018 was due to the establishment of higher trust fund at the start of operation (see following paragraph). For 2019, the Company earmarked portions of its cash in banks for the subsequent increase in trust fund investment in 2020.

Details of the Trust Fund – Life Plan (Externally Managed Fund)

<i>December 31,</i>	2019	2018
<u>Assets</u>		
Cash in bank	₱230,569	₱913,937
Investment in quoted equity securities	4,769,576	2,354,924
Investment in quoted debt securities	12,022,923	8,367,431
Other receivables	154,905	60,463
	17,177,973	11,696,755
<u>Liabilities</u>		
Trust fees payable	21,572	14,463
Accrued expenses	39	20
	21,611	14,483
<u>Net Assets</u>	₱17,156,362	₱11,682,272

Net Assets Accounted as Follows:

Trust fund principal	₱11,682,272	₱12,031,723
Additional contributions	3,739,493	–
Realized gain on sale of financial assets (net of final taxes)	623,035	73,182
Unrealized (loss) gain on FVOCI	1,111,562	(429,403)
Income from conversion to PFRS 9	–	6,770
	₱17,156,362	₱11,682,272

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, at ₱778,794 in 2019 and ₱99,940 in 2018. The fair value gain (loss) on investments amounting ₱1,111,563 in 2019 and (₱429,403) in 2018 were credited (charged) to other comprehensive income in the statements of profit or loss.

Management was assured by the Fund Trustee that the financial instruments were not impaired at the end of the year.

Trust Agreement with BDO Unibank, Inc.

On October 30, 2017, the Company signed a Trust Agreement with BDO Unibank, Inc. Trust and Investment Group (Trustee) to administer and manage the Trust Fund for Life Plan, with an initial capital of ₱12 million. The salient features of the trust agreement 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 Fund 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 (in accordance with Section 34 of the Pre-need Code), 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 Plan 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.

Computation of Trust Fund Surplus

<i>December 31,</i>	2019	2018
Net assets of Trust Fund – Life Plan	₱17,156,361	₱11,682,272
PNR and plan benefits payable (actuarially computed) (Note 13)	(13,146,469)	(3,513,382)
Trust Fund Surplus	₱4,009,892	₱8,168,890

Note 10

Insurance Premium Fund

This represents the bank deposits in Land Bank of the Philippines (LBP), amounting ₱950,000 (See Note 4), established in 2019 and designated (restricted) as compliance with the requirements of IC Circular Letter No. 2018-01 to cover the payment of insurance premiums after the paying period of the pre-need plan. The Company intends to increase the amount and invest the funds as allowed under IC regulations. The Insurance Premium Fund shall be equal to the amount computed for the Insurance Premium Reserves. (See Note 13.)

Note 11

Details of Other Non-Current Assets

<i>December 31,</i>	2019	2018
Computer software, at cost	₱557,157	₱530,357
Accumulated amortization	(135,730)	(59,917)
Net	421,427	470,440
Security deposits (Note 22)	130,000	130,000
	₱551,427	₱600,440

The cost of computer software is amortized over a period of 5 years, beginning 2017. Amortization costs charged to operations amounted ₱75,813 in 2019 and ₱50,917 in 2018.

The security deposits are related to the rentals of office spaces of the Head Office, as well as of the regional offices and are refundable at the end of the leases, less any damage incurred on the properties; these deposits have no impact on recognition of the right-of-use asset and lease liability. (See Note 7.)

Note 12

Trade and Other Payables

This account consists of the following:

<i>December 31,</i>	2019	2018
Accrued expenses	₱2,343,248	₱750,009
Accounts payable to a major stockholder (Note 22)	1,880,360	1,288,732
Unremitted contributions to Government agencies	929,704	175,421
Planholders' deposits (unearned premiums)	655,077	57,758
Cash bond payable	642,010	127,418
	₱6,450,399	₱2,399,338

Accrued expenses include unpaid commissions to agents and unpaid licensing fees. The accounts payable to a major stockholder represents unpaid lease rentals and charges for expenses advanced by CLIMBS Life and General Insurance Company. The advances are interest-free. (See Note 22.)

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

#

Note 13

Aggregate Reserves for Risks

This consists of the actuarial reserve liabilities of the following:

<i>December 31,</i>	2019	2018
Pre-need reserves (PNR) for life plans	₱12,414,049	₱3,338,969
Insurance premium reserves (IPR)	732,420	174,413
	₱13,146,469	₱3,513,382

PNR for Life Plan

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, 2019, the Company has a total of 350 fully paid plans, amounting ₱13.7 million and a total of 6,640 plans on installments, totaling ₱233.332 million. Plan benefits paid amounted ₱1,091,092 in 2019 and ₱25,500 in 2018. No plan benefits remain unpaid at the end of 2019 and 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. (See Note 10 for the funding of the reserves.)

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

<i>December 31, 2019</i>	<i>Pre-Need Reserves</i>	<i>Insurance Premium Reserves</i>	<i>Total</i>
Provisions during 2018	₱3,338,969	₱174,413	₱3,513,382
Provisions during 2019	9,075,080	558,007	9,633,087
	₱12,414,049	₱732,420	₱13,146,469

Note 14

Share Capital

The Company's share capital consists of the following:

<i>December 31,</i>	2019	2018
<i>Ordinary (Common) Shares</i>		
Authorized – 150 million shares, ₱1.00 par value		
Issued and outstanding: 134,687,500 shares in 2019; 131,250,000 in 2018	₱134,687,500	₱131,250,000
<i>Preference Shares</i>		
Authorized – 200 thousand shares, ₱100.00 par value		
Issued and outstanding: 198,000 shares in 2019 and 2018	19,800,000	19,800,000
Total Share Capital	₱154,487,500	₱151,050,000

Deposits for Future Subscriptions

The Company's authorized ordinary (common) capital stock has been fully subscribed at the end of 2018. The Company has initiated actions to increase its authorized capital. In the meantime, additional investments from stockholders were accepted as deposits amounting ₱7 million in 2019 (net of withdrawals) and ₱10 million in 2018. These deposits are presently non-interest bearing.

In accordance with SEC rules and pertinent provisions of the Corporation Code and PAS/IAS 32 *Financial Instruments: Presentation*, the deposits are treated as part of current liabilities.

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.

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 ₱134.7 million at the end of 2019.

The Company also has authorized preference shares of ₱20 million of which ₱19.8 million have been fully paid at the end of 2019. Additionally, the Company accepted deposits for future stock subscriptions which will eventually augment its capitalization to comply with the requirements of R.A. 9829.

Other Disclosures

As at December 31, 2019, the Company has six (6) shareholders owning 100 or more ordinary (common) and preference shares each.

Note 15

Retained Earnings (Deficit)

In accordance with the provisions of Chapter VIII, Section 30 of the Pre-need Code, and guided by IC Circular Letter No. 2018-1, the Company identifies its retained earnings (deficit) as follows:

- (a) Retained earnings (deficit), Trust Fund – Life Plan, which pertains to the accumulated income of the investments in trust fund, and
- (b) Retained earnings (deficit), Corporate Funds, (unrestricted) which pertains to the accumulated earnings of the Company reduced by whatever losses the Company may incur during a certain accounting period or by dividend declarations. The Company uses the account 'Retained Earnings (Deficit), Unrestricted'.

Accounting for Profit (Loss) of Trust Fund – Life Plan

<i>Years Ended December 31,</i>	2019	2018
Income from investment of trust fund (Note 9)	₱778,794	₱99,940
Plan benefits paid (Note 13)	(1,091,092)	(25,500)
Final taxes on investment income (Note 8)	(155,759)	(19,988)
Net (Deficit) Income	(₱468,057)	₱54,452

Accounting of Profit (Loss) for the Year

<i>Years Ended December 31,</i>	2019	2018
Profit (loss) for the year per statement of profit or loss	₱1,128,025	(₱2,184,135)
Less profit (loss) for the year of trust fund – life plan (see table below)	(468,057)	54,452
Profit (Loss) for the Year (Corporate Funds), Unrestricted	₱1,596,082	(₱2,238,587)

Retained Earnings (Deficit), Unrestricted

In accordance with Section 29 of the R.A. 98291, An Act Establishing the Pre-Need Code of the Philippines, 'A pre-need company may declare dividend: Provided, That the following shall remain unimpaired, as certified under oath by the president and the treasurer with respect to items (a) and (b); and in the case of item (c), by the trust officer: (a) One hundred percent (100%) of the capital stock; (b) An amount sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes; and (c) Trust fund. Any dividend declared under the preceding paragraph shall be reported to the Commission within thirty (30) days after such declaration.'

The accounting of the deficit follows:

<i>December 31,</i>	2019	2018*
Opening deficit, as originally stated	(₱10,725,714)	(₱8,461,627)
Adjustments recognizing realized income from trust fund – net (Note 26)	79,952	–
Adjustments separating retained earnings, Trust Fund-Life Plan (Note 26)	(54,452)	–
As restated	(10,700,214)	(8,461,627)
Profit (loss) for the year (see table above)	1,596,082	(2,238,587)
Closing Deficit	(₱9,104,132)	(₱10,700,214)

* As Restated (Note 26)

Note 16

Details of Premium Revenue

<i>Years Ended December 31,</i>	2019	2018
Realized gross premium income	₱29,716,696	₱12,375,652
Amortization	1,437,727	334,218
Discount on spot cash	(1,510,000)	(1,127,000)
Net	29,644,423	11,582,870
Allocation for trust fund contributions	14,934,138	7,992,070
Total Receipts	44,578,561	19,574,940
Value-added taxes	(3,205,473)	(1,146,993)
Net Premium Revenue	₱41,373,088	₱18,427,947

The network of primary and secondary cooperatives who are members of CLIMBS Life and General Insurance Cooperative act as agents of the Company in generating the premium revenue. Collection costs, representing commissions paid to agents, amounted ₱13,808,574 for 2019 and ₱4,807,336 for 2018. (See Note 18.)

Note 17

Details of Investments Income

<i>Years Ended December 31,</i>	2019	2018
Interest income from cash and cash equivalents (Note 4)	₱5,543,579	₱3,278,249
Interest income from investment in corporate bonds (Note 8)	647,209	489,629
Income from externally managed funds (Note 8)	571,086	–
	₱6,761,874	₱3,767,878

The investments income are presented at gross of final taxes of 20%. The final taxes thereon are presented as part of the income tax expense – current. (See note 21.)

Note 18

Details of Other Direct Costs and Expenses

<i>Years Ended December 31,</i>	2019	2018
Collection costs (commissions) (Note 16)	₱13,808,574	₱4,807,336
Insurance	896,973	196,249
Licensing fees amortized on plans issued (Note 6)	44,651	19,575
	₱14,750,198	₱5,023,160

Note 19

Details of Salaries, Wages and Employees' Benefits

<i>Years Ended December 31,</i>	2019	2018
Salaries and wages	₱6,885,885	₱4,576,951
Employees' benefits	2,544,190	1,708,212
Honoraria	1,202,277	1,239,523
	₱10,632,352	₱7,524,686

The Company started operations only in 2018; it has not yet accrued the post-employment benefit costs of its employees. Management considers the unaccrued benefit costs as immaterial.

Note 20

Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	2019	2018
Promotions and marketing	P3,998,979	P3,436,173
Meetings and conferences	1,766,617	431,586
Travel and transportation	833,911	872,673
Rent (Note 7)	662,548	846,039
Dues and subscriptions	363,962	174,640
Professional fees	303,104	408,017
Taxes, licenses and fees (Note 29)	256,230	105,613
Office supplies	232,746	273,906
Light and water	169,783	109,148
Insurance	125,540	141,853
Communications	104,958	33,748
Repairs and maintenance	101,458	120,423
Interest on lease liability (Note 7)	58,628	–
Provision for expected credit losses (ECL) (Note 5)	21,239	5,290
Supervision	–	77,008
Trainings and seminars	–	12,998
Miscellaneous	18,421	9,722
	P9,018,124	P7,058,837

Note 21

Income Taxes

The Company's income tax expense is based on the regular rate of 30%. The Company is subject to the Minimum Corporate Income Tax (MCIT) rate of 2% of gross income only at the beginning of its fourth taxable year of its operations following the year of commencement of business operations, which is 2022.

Income Tax Expense – Current

The income tax expense – current is composed of the following:

<i>December 31</i>	2018	2017
Normal Income Tax or MCIT whichever is higher	P–	P–
Minimum Corporate Income Tax (MCIT)	NA	NA
Final taxes on investments income (Note 17)	1,352,375	753,576
Final taxes on trust fund income (Note 15)	155,759	19,988
Income Tax Expense – Current	P1,508,134	P773,564

The disproportionate relationships between the profit before income tax expense and the income tax expense – current is due mainly to income from investments which was deducted from profit income before tax expense since this was already subjected to the final tax of 20%.

Net-Loss-Carry-Over (NOLCO)

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 ₱4.9 million for 2019 and ₱5.3 million for 2018 and for which no deferred tax assets have been recognized as of December 31, 2019. In accordance with Republic Act No. 8424 *Tax Reform Act of 1997*, NOLCO 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:

<i>Year Incurred</i>	<i>Amount</i>	<i>Expiry Date</i>
2019	₱4,864,353	December 31, 2022
2018	5,273,099	December 31, 2021
2017	8,713,191	December 31, 2020
Total	₱18,795,643	

Reconciliation

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

<i>Years Ended December 31,</i>	2019	2018
Tax at statutory rate	₱338,407	(₱655,241)
Additions (deductions) resulting from:		
Depreciation of right-of-use asset (Note 7)	114,087	—
Interest expense on lease liability (Note 7)	17,588	—
Rent expense (Note 7)	(126,000)	—
Increase in provision for ECL (Note 5)	6,372	1,587
Investments income (Note 17)	(1,809,760)	(928,276)
Change in unrecognized deferred tax assets	1,459,306	1,581,930
Income Tax Payable	₱—	₱—

Note 22

Related Party Transactions

In the ordinary course of trade or business, the Company has transactions with related parties which include its directors, officers, related interests and employees and affiliated entities. 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. Transactions with affiliated entities involve revenue and expense transactions which are detailed in the following paragraph.

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 presented in the books of the Company as right-of-use asset and lease liability, required the Company to deposit advance rental of ₱105,000 and to settle the monthly fixed rental during the first week of each month. Total lease expenses incurred amounted ₱420,000 in both years. (See Note 7.)
- 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 ₱1,880,360 by the end of 2019 and ₱1,288,732 by the end of 2018. (See Note 12.) The transactions with the major stockholder during the year, including the leasing transactions discussed in a) above, is as follows:

<i>Years Ended December 31,</i>	2019	2018
Opening balances	₱1,288,732	₱1,261,052
Additional charges incurred	597,868	27,680
Payments made	(6,240)	—
Closing balances	₱1,880,360	₱1,288,732

- c) A stockholder is also providing the mortuary services required under the life plan policies. Total payments for services rendered amounted ₱1,640,000 in 2019 and ₱90,000 in 2018.
- d) The major stockholder is a federation of cooperatives, whose members are the direct agents of the Company. Total commissions paid to agents, treated as collection costs in the books, amounted ₱13,808,574 for 2019 and ₱4,807,336 for 2018. (See Note 18.)
- e) The Company has no associates and joint venture projects.
- f) The key management compensation follows:

<i>Years Ended December 31,</i>	2019	2018
Salaries and wages	₱4,747,158	₱1,244,000
Honoraria	805,555	847,059
Employee benefits	806,900	237,787
	₱6,359,613	₱2,328,846

Note 23

Computation of the Earnings Per Common Share

<i>Years Ended December 31,</i>	2019	2018
Profit (loss) for the year, Unappropriated (Note 15)	₱1,596,082	(₱2,238,587)
Weighted average number of common shares	133,331,336	130,762,153
Earnings Per Common Share	₱0.0120	(₱0.0171)

Note 24

Fair Value Measurements

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table on the following page 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.

<i>December 31, 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Financial assets</i>				
Cash and cash equivalents (Note 4)	₱79,608,494	₱–		₱79,608,494
Trade and other receivables (Note 5)			₱1,702,826	1,702,826
Investment in Trust Fund–Life Plan (Note 9)			17,156,362	17,156,362
Investments in financial instruments (Note 8)			65,456,869	65,456,869
	₱79,608,494	₱–	₱84,316,057	₱164,014,551
<i>Financial liabilities</i>				
Trade and other payables (Note 12)			₱6,450,399	₱6,450,399
Deposits for future subscriptions (net) (Note 14)			7,000,000	7,000,000
	₱–	₱–	₱13,450,399	₱13,450,399
<i>December 31, 2018</i>				
<i>Financial assets</i>				
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 Plan (Note 9)			11,682,272	11,682,272
Investments in financial instruments (Note 8)			10,000,000	10,000,000
	₱125,140,115	₱–	₱23,355,539	₱148,495,654
<i>Financial liabilities</i>				
Trade and other payables (Note 12)			₱2,399,338	₱2,399,338
Deposits for future subscriptions (Note 14)			10,000,000	10,000,000
	₱–	₱–	₱12,399,338	₱12,399,338

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, 2019 and 2018.

<i>December 31, 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Prepaid expenses (Note 6)			₱1,158,052	₱1,158,052
Property and equipment/ROU asset (Note 7)			7,457,669	7,457,669
Other non-current assets (Note 11)			551,427	551,427
			₱9,167,148	₱9,167,148
<i>December 31, 2018</i>				
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 11)			600,440	600,440
			₱7,423,624	₱7,423,624

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 25

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, corporate bonds and other reserve funds, trade and other payables and deposit for future subscriptions. Its existing policies and guidelines cover insurance risk, credit and concentration risks, market risk and liquidity 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.

Insurance Risk

Insurance risk is the risk that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company addresses this risk by complying with IC regulations pertaining to the set-up of trust fund - life plan. The Company signed a trusteeship agreement with BDO Unibank, Inc. – Trust and Investment Group for the management of the insurance trust fund. (See Note 9.) In addition, the Company also established the Insurance Premium Fund, (See Note 10) and invested its financial instruments to provide additional cushion. (See Note 8.)

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 – life plan managed by BDO Unibank, Inc. – Trust and Investment Group and its investments under IMA with China Banking Corporation – Trust and Asset Management Group were investing in quoted equity and debt securities, totaling ₱66,992,901 in 2019 and ₱10,722,355 in 2018, which are vulnerable to price risks. (See Notes 8 and 9.) Equity price risk arises because of fluctuations in market prices of these securities. The Company recognized in other comprehensive income fair value gains (losses) of ₱1,111,562 in 2019 and (₱429,403) in 2018. (See Note 9.)

(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.

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, 2019 and 2018 is the carrying amounts as shown below:

<i>December 31,</i>	2019	2018
Cash and cash equivalents (Note 4)	P79,608,494	P125,140,115
Trade and other receivables (Note 5)	1,702,826	1,673,267
Investment in Trust Fund – Life Plan (Note 9)	17,156,362	11,682,272
Investments in financial instruments (Note 8)	65,456,869	10,000,000
	P163,924,551	P148,495,654

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

<i>December 31, 2019</i>	<i>High Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents (Note 4)	P79,608,494	P–	P–	P79,608,494
Trade and other receivables (Note 5)	1,702,826			1,702,826
Investments in financial instrmnts (Note 8)	65,456,869			65,456,869
Investment in Trust Fund–Life Plan (Note 9)	17,156,362			17,156,362
	P163,924,551	P–	P–	P163,924,551
<i>December 31, 2018</i>				
Cash and cash equivalents (Note 4)	P125,140,115	P–	P–	P125,140,115
Trade and other receivables (Note 5)	1,673,267			1,673,267
Investments in financial instrmnts (Note 8)	10,000,000			10,000,000
Investment in Trust Fund–Life Plan (Note 9)	11,682,272			11,682,272
	P148,495,654	P–	P–	P148,495,654

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.

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:

<i>December 31, 2019</i>	<i>Due in 1 Year</i>	<i>Due Over 1 Year</i>	<i>Total</i>
Trade and other payables (Note 12)	P6,450,399	P–	P6,450,399
Deposits for future subscriptions (Note 14)	7,000,000	–	7,000,000
	P13,450,399	P–	P13,450,399

<i>December 31, 2018</i>	<i>Due in 1 Year</i>	<i>Due Over 1 Year</i>	<i>Total</i>
Trade and other payables (Note 12)	₱2,399,338	₱–	₱2,399,338
Deposits for future subscriptions (Note 14)	10,000,000	–	10,000,000
	₱12,399,338	₱–	₱12,399,338

Note 26

Restatement of 2018 Financial Statements

The financial statements of 2018 have been restated to recognize in profit and loss realized income from investment in Trust Fund – Life Plan and accumulate the surplus (deficit) in Retained Earnings, Trust Fund – Life Plan. (See Note 15.) The reclassification restated the other comprehensive income and deficit. Also, the 2018 statement of profit or loss has been restated to reflect income from investments at gross of final taxes and recognize the final taxes therein as part of the income tax expense – current. The restatement did not affect the assets and liabilities of 2018.

The following accounts were affected by the restatement:

<i>December 31, 2018</i>	<i>Retained Earnings, Trust Fund–Life Plan</i>	<i>Deficit</i>	<i>Profit or Loss</i>	<i>Comprehensive Income</i>
As original stated	₱–	(₱10,725,714)	(₱2,264,087)	(₱317,728)
Recognize trust fund income (Note 9)	–	99,940	99,940	(79,952)
Recognize taxes on trust fund income	–	(19,988)	(19,988)	
Reclass of trust fund net income (Note 15)	54,452	(54,452)	–	–
As Restated	₱54,452	(₱10,700,214)	(₱2,184,135)	(₱397,680)

Note 27

Events After Reporting Date – Onslaught of the Coronavirus Disease (2019)

The World Health Organization (WHO) declared the Coronavirus Disease (2019) (COVID-19) outbreak a pandemic on March 11, 2020 to signify its severity and global coverage and urged countries to take ‘urgent and aggressive action.’ The outbreak was first noticed in China and then in Europe (particularly Spain, Italy and France) where multiple deaths by the thousands were reported. In the Philippines, there were already 4,648 total confirmed cases, 297 deaths, and 197 recoveries as of April 12, 2020.

As the pandemic began its spread throughout the world, several countries have taken a variety of measures from mass testing, travel/border restrictions, to lockdowns in a bid to contain the virus. Governments and central banks have likewise been adjusting their monetary and fiscal policies to mitigate the economic impact of the pandemic. It is anticipated that the pandemic will translate into a world-wide economic crisis and may eventually lead to social and political crisis.

Predicting the impact of COVID-19 pandemic in the Philippines is difficult to make at this time because much will depend on the spread of the disease and whether the measures undertaken by the Government will successfully contain its spread. Initial results of the month-long community quarantine (CQ) and the extended community quarantine (ECQ) however indicated that, except for the National Capital Region (NCR), cities and provinces have so far contained the spread of the virus in their areas. But a second wave of infection is anticipated as had happened in China and Korea, and the Philippine Government may continue to impose CQs or ECQs.

Under the present scenario, it is anticipated that the impact on the economy will likely manifest in a sharp drop in overall domestic consumer demand for nonessential goods and services. Demand for food, medical assistance and other essential items is expected to rise, but this would not offset the lower demand for non-

essential goods such as apparel and various services. Remittances from overseas Filipino workers are expected to slow down due to layoffs and delayed salary payments of Filipino OFWs especially in countries that are also affected by COVID-19.

The National Economic and Development Authority (NEDA), in its March 19, 2020 report *Addressing the Social and Economic Impact of the COVID-19 Pandemic*, estimated that the adverse impact of COVID-19 will be felt by the country until June 2020, and that the simultaneous adverse effects on the supply and demand side of the economy will result in the reduction of the Philippine's real GDP growth to -0.06 to 4.3 % in 2020, unless mitigating measures are effectively implemented.

Projecting the impact of COVID-19 on the operations of the Company is presently daunting and difficult. Clearly, it is still too early to say how long will the infection last; whether there will be return waves; whether the Government will continue to impose CQs or ECQs. Besides, this assessment was made at a time when all of the Company's human resources were still in quarantine.

The Company anticipates that COVID-19 will impact on its revenue generation for 2020, both from premiums from planholders and from revenue from investments in financial instruments. It will likewise impact on the valuation of its financial assets and may even expose the Company to heightened credit and liquidity risks as it is highly possible that there are COVID-19 fatalities from planholders. The Board of Directors will endeavor to quantify the full impact of COVID-19 on its overall operations as soon as it is able to return to full operations.

The Board of Directors has determined that the impact of COVID-19 will be felt in 2020 and that there has been no adjustments necessary on its 2019 financial statements.

Note 28**Authorization of Financial Statements**

The financial statements of Cosmopolitan CLIMBS Life Plan, Inc. for the period ended December 31, 2019 were authorized for issue by its management on April 15, 2020.

Note 29**Details of Taxes, Licenses and Fees**

In accordance with Revenue Regulation 15-2010, the Company discloses the following information regarding taxes, licenses and fees paid during 2019:

<i>Years Ended December 31,</i>	2019	2018
Business permit and licenses	₱153,230	₱8,058
IC registration fees	101,000	—
Legal, notarial fees and others	2,000	95,574
Documentary stamp taxes	—	1,481
	₱256,230	₱105,113

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY INCOME TAX RETURNS

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

The Board of Directors
Cosmopolitan CLIMBS Life Plan, Inc.
4F, CLIMBS Building, Tiano-Pacana Streets
Cagayan de Oro City

We have audited the financial statements of Cosmopolitan CLIMBS Life Plan, Inc., for the year ended December 31, 2019, on which we have rendered the attached report dated May 14, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the Chairman of the Board, General Manager or principal stockholders of the Company.

QUILAB & GARSUTA, CPAs

By:



RICO P. QUILAB

Partner

CPA Cert. No. 46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787 (7.05.2020)

BIR No. 16-007506-001-2019 (2.15.22)

IC No. SP-2017/025-R (12.07.20)

SEC No. 0906-AR-3 (7.15.2021)

PTR No. 4556063 A

January 2, 2020

Cagayan de Oro City

May 14, 2020
Cagayan de Oro City, Philippines



“

Family is one of the strongest words anyone can say...

PAMILYA ANGELICA

And now we are beyond grateful to present to all of you board of directors, employees, and agents a product that is beneficial to all filipino families. A memorial service benefit for the whole family Pamilya Angelica, this will provide the planholder, its spouse and children a plan that offers the same privilege and benefits that is existing to the earlier product of the company Angelica Life Plan.

www.cclpi.com.ph

COSMOPOLITAN CLIMBS LIFE PLAN INC.
401 CLIMBS Bldg., Tamarac Parkside Dr., Carapitan de Oro City
 Tel. No. (088) 850-1574 Hotline No. +6317 154 3499 / +63998 933 4937

Angelica
Life Plan
now available!

BUY ANGELICA LIFE PLAN FOR YOURSELF AND YOUR LOVED ONES TO OFFER YOUR GREATEST LOVE AND CARE FOR YOUR FAMILY.

for as low as **P18**
a day

For Inquiries Please Contact:

Plan Amortization Schedule

Contract Price:	30,000.00
Monthly	540.00
Quarterly	1,590.00
Semi-Annual	3,120.00
Annual	6,000.00
Contract Price:	60,000.00
Monthly	1,080.00
Quarterly	3,180.00
Semi-Annual	6,240.00
Annual	12,000.00
Contract Price:	90,000.00
Monthly	1,620.00
Quarterly	4,770.00
Semi-Annual	9,360.00
Annual	18,000.00
Contract Price:	120,000.00
Monthly	2,160.00
Quarterly	6,360.00
Semi-Annual	12,480.00
Annual	24,000.00

We can customize your plan according to your needs from 30,000 up to 500,000.

DEVELOPMENT PLAN

**COSMOPOLITAN CLIMBS LIFE PLAN INC.
OPERATIONAL BUDGET FOR YEAR 2020**

	2020	
	Budget	Cents/Peso Sale
REVENUE		
Premium Income	112,818,500.00	1.00
LESS: DIRECT & OTHER COSTS		
Reserves	35,671,539.91	0.32
Claims	3,066,352.63	0.03
Commissions & Other Costs	36,219,812.41	0.32
Total Direct & Other Costs	74,957,704.95	0.66
GROSS MARGIN	37,860,795.05	0.34
LESS: OPERATING EXPENSES		
Compensation/Fringe Benefits	17,555,543.32	0.16
Taxes, Licenses & Other Fees	6,011,450.92	0.05
Other Administrative/Marketing Expenses	11,283,699.70	0.10
Depreciation/Amortization	1,990,000.00	0.02
Total Operating Expenses	36,840,693.94	0.33
OPERATING INCOME/(LOSS)	1,020,101.11	0.01
Add:		
Investment Income	4,536,794.43	0.04
Other Income	482,915.99	0.00
NET INCOME/(LOSS)	6,039,811.53	0.05

Strategic Planning is proposed between January – February 2020 (Phase One Planning)

RESOLUTION NO. 38, SERIES OF 2019

On motion made by Director Antonio Manuel Alcantara, and duly seconded by Director Alvin Tan-Unjo,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the proposed budget for 2020.



Life Individual Insurance

Permanent Plans (Microinsurance)
Endowment Plans (Microinsurance)

Life Group Insurance

Group Yearly Renewable Term
Coop Loan Protection Plan
Coop Life Savings Plan

Pre Need Memorial Plan

Cosmopolitan - CLIMBS Life Plan
(Angelica)

Non-Life Standard Products

Fire Insurance
Motor Vehicle Insurance
Personal Accident Insurance
Fidelity Guarante
Money Security Payroll Robbery
Comprehensive General Liability

Non-Life Micro Products

Group Hospitalization Microinsurance
Property Disaster Microinsurance

The Grassroots Insurance

CLIMBS Life and General Insurance Cooperative



head_office@climbs.coop



climbs.coop



/CLIMBSofficial

Cagayan de Oro City

Quezon City

Baguio

Calamba

Naga

Luzon

Cebu City

Iloilo City

Tacolban City

Davao City





Unlock your
Dreams Together we can
with us

SERVICES OFFERED

Deposits:

With competitive interest

- Saving Deposit
- Time Deposit
- Checking Account
- ATM Account

PDIC: Insured up to P500,000.00

Investment Stock:

Be a shareholder of MCCB

- Common stock for registered cooperatives
- Preferred stock for individual investment

Loans and Credit Services:

- Auto Loan / Truck Loan
- Agricultural Loan
- Consumers Loan
- Jewelry Loan
- Home Loan
- Motorcycle Loan
- SME / Business Loan
- Loans Against Deposit

INTEREST RATES
0.5% UP TO 2%
diminishing
monthly

Our Loans are guaranteed:

- Low interest rate
- Diminishing rates
- Fast and easy process
- Excellent customer service

Collateral Accepted:

- Residential Lot
- Commercial Lot
- Industrial Lot
- Agricultural Lot and Chattel

A proud member of

BancNet

Member:

PDIC

Maximum Deposit Insurance
for Each Depositor: P500,000.00



BDO Cagayan de Oro City- Lapasan Branch
Claro M. Recto Ave, Highway, Cagayan de Oro, 9000 Misamis Oriental
(088) 856 3233



Angelica **Life Plan**

Angelica is a fixed value life plan with increasing memorial 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 condition:
 - 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.

OFFICE ADDRESS

LUZON

ROOM 1410, AIC BURGUNDY EMPIRE TOWER, 1908 ADB AVE.,
SAN ANTONIO, ORTIGAS, PASIG CITY, PHILIPPINES

VISAYAS

6TH FLOOR, CEBU CFI BUILDING CAPITOL COMPOUND,
CEBU CITY, PHILIPPINES

MINDANAO

4TH FLOOR, CLIMBS BLDG., TIANO-PACANA STS.,
CAGAYAN DE ORO CITY, PHILIPPINES

OFFICE ADDRESS UNDER CLIMBS

CLIMBS LIFE AND GENERAL INSURANCE
COOPERATIVE, DOOR 27 A&B CAM BLDG.,
MONTEVERDE-ALVAREZ STS., DAVAO CITY
PHILIPPINES



CCLPI
Plans