

ROAD TO 1 BILLION:

*A MINDSET TO WITHSTAND
AND SUCCEED*

ANNUAL REPORT
2020



CCLPI
Plans

WHO WE ARE?

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



Giving assurance for the welfare of its people, CLIMBS Life and General Insurance Cooperative, the champion of micro and grassroots insurance continues to expand its horizon by listening to the growing demands and needs of the people. CLIMBS Life and 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 a 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 which makes it more bearable in the most hurting time in the family. For over 70 years, it has increased the number of company branches at prime addresses in the country. To date, Cosmopolitan Funeral Homes Inc. is located in over 22 different key cities in the Philippines.

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A MESSAGE FROM THE PRESIDENT



MALACAÑAN PALACE
MANILA



MESSAGE

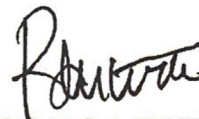
My warmest greetings to the **Cosmopolitan Climbs Life Plan, Inc. (CCLPI)** as it publishes its **2020 Annual Report**.

For more than a year, we have remained strong and resilient as we worked together in overcoming the COVID-19 pandemic. As we navigate through these challenging times, I am glad that CCLPI has remained committed in pursuing more innovative ways of providing valuable pre-need and allied services to our people.

I appreciate your steadfast cooperative work that ensures not only financial protection for your members, but also accessible help to your community. May your cooperation and dedication enable you to create more avenues for greater growth and success so you may serve more Filipinos.

I enjoin you to work with us in building a stronger nation and in ushering a better and brighter tomorrow for all.

I wish you a successful event.

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

RODRIGO ROA DUTERTE

MANILA
May 2021

A MESSAGE FROM THE COMMISSIONER



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



MESSAGE

Cosmopolitan CLIMBS Life Plan, Inc.

My greetings and commendations to the Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI) as it celebrates a successful and fruitful year. The success of your company is the result of your hard work, perseverance and the mindset to succeed and withstand the challenges of the unprecedented times. It is only fitting to congratulate the CCLPI for surpassing the challenges and marking another milestone.

As we continue to push forward and create a better normal for everyone, I encourage the CCLPI to remain true to the mission of providing quality life plan programs that will deliver the best care and comfort for your clients. Keep your eyes on your goal and focus on creating a positive impact in our society by giving your planholders and their families the best services you could offer.

With this, I wish CCLPI more years of success and achievement in the near future. Rest assured of the Commission's continued support in your endeavors and aspirations. Congratulations and more power!

DENNIS B. FUNA
Insurance Commissioner



A MESSAGE FROM THE PRESIDENT



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

cagayan
deOro
city of golden friendship

MESSAGE



Determination to stand in the face of crises is what we need with the onslaught of Covid 19 pandemic.

While our normal way of living has been disrupted, we need to adapt to the new normal while pursuing our plans, dreams and aspirations.

If there is one thing this pandemic taught me, it is the realization that resilience can be more than swaying with the wind, as a bamboo does, but standing up stronger and coming out better.

In times of crises, cooperatives are our natural allies. Moulded by time honored values of mutual-help, cooperatives by the DNA are made to withstand trials.

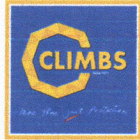
From its humble beginnings in Rochdale, Lancashire, England 177 years ago to the cooperative pioneering in the Philippines from Cagayan de Oro with Fr. William Masterson, lawyers Mordeno Cua and Aquio Pimentel some 60 years ago, the cooperative spirit lives on.

I offer my high commendations to the Cosmopolitan Climbs Life Plans Inc. (CCLPI) for its successes and unrelenting determination boldly expressed in its theme for 2021 -- Road to One Billion: Mindset to Withstand and Succeed.

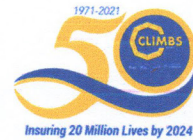
God bless and mabuhay!


OSCAR S. MORENO
City Mayor

A MESSAGE FROM THE CLIMBS PRESIDENT & CEO



**CLIMBS Life and General
Insurance Cooperative**



MESSAGE

Greeting to CCLPI Stakeholders!!

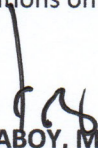
In December 2016, leads another milestone in the history of CLIMBS with the birth of COSMOPOLITAN-CLIMBS Life Plan Inc. The mission is to provide decent but affordable memorial services to the general public, the cooperatives' members and their families. Fifteen companies and cooperatives incorporated their resources to forge this dream to happen and in the past four years, CCLPI has realized this dream by expanding and fulfilling such services to satisfied clients nationwide. For that, we commend and congratulate CCLPI for a job well done!

The Theme "ROAD TO ONE BILLION: MINDSET TO WITHSTAND AND SUCCEED" is an arduous and formidable piece of work to be undertaken however, with the right mindset and the willingness to succeed, the task will be made facile and achievable.

Looking into your endeavors despite the pandemic, the accomplishment you have come to achieve, by standard, is worthy of praise and recognition. We all believe that selling memorial plans is not simple which may entail effortful engagement. But with the time, slowly people come to know that death is inevitable and therefore pre-planning is now considered essential as expenses associated with death could be unbearable if one is unprepared. Such mindset instilled in us and imparting it to our clients, will be a significant element in propelling our vision and attaining our target of providing the needed memorial services to them.

It is our fervent hope and aspiration that our CCLPI will further reach greater heights and continue to make a mark in the memorial service industry in the years to come. With the men and women of CCLPI, the partners and the visionaries who started this company, the road to one billion premium is not far behind.

Congratulations on your 4th year and cheers to more years ahead.


NOEL D. RABOY, MBAEx
President and CEO
CLIMBS

Insuring 20 Million Lives by 2024



(088) 856 1355
(08822) 738722



www.climbs.coop
head_office@climbs.coop



CLIMBS Building, Zone 5, Bulua,
9000 Cagayan de Oro City

A MESSAGE FROM THE CHAIRMAN



Chairman's Message

The past year has truly tested all of us. Every area of business has been challenged. Questions continue to rise with no certainties if our decisions point to the right solution. Now more than ever, we the board of directors, administrative staff, general agencies, and all agents across the board should join hands and together remain resilient to reach the road to one billion. Despite the pandemic, we should continue to have the right mindset to succeed. Having a positive attitude to embrace new challenges, building teamwork, and synergy with each other will increase our productivity as we take on the goal to reach our target. I challenge each one of us to step up after all we are all in this together. More power and congratulations to the board and organization of CCLPI.


Renato "Oly" Dychangco Jr.
CCLPI Plans Chairman

A MESSAGE FROM THE PRESIDENT AND CEO



Message

Nobody would disagree that 2020 has been a very challenging year. Whether it was in our professional or personal lives, we have all faced new challenges, some of which have been very important. During these uncertain and social distancing times, customer experience has become even more essential for consumers around the world.

The global pandemic has forced us to stay on our toes and adapt to what seems like an ever-evolving challenge. Furthermore, our flexibility continued to yield results even during this global crisis. The need to survive is what kept us fueled to turn adversity into limitless opportunities.

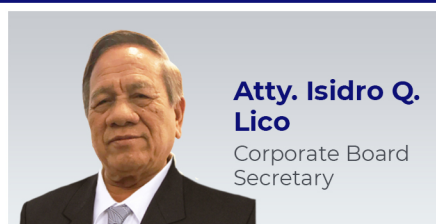
As we move to reach our first billion this 2021, let us charge forward this year with the hope of better days to come. It would be remiss not to recognize the importance of our stockholders, partners, sales counselors, and employees who helped us reach our success.



Fermin L. Gonzales

CCLPI Plans President & CEO

BOARD OF DIRECTORS & OFFICERS



CCLPI PLANS MANAGEMENT TEAM

Executive



Managers



CCLPI PLANS MANAGEMENT TEAM



Fermin L. Gonzales
President & CEO



Mansueto V. Dela Peña
Chief Operating Officer

HRAD Department

Jecthel P. Salac
HRAD Manager

Jeanlou O. Apdian
Admin Assistant

Vanessa B. Padla
Admin Assist./Exec. Secretary

John Michael M. Ura-Ura
Driver/Utility

Ronald G. Tagarda
Utility/Messenger



Accounting & Finance Department

Junmar N. Verdejo, CPA
Accountant

Grace A. Nalzar
Bookkeeper

Leizel C. Babia
Accounting Clerk



Revecita P. Salarda
Operations Manager

Dolly Jane B. Argabio
Finance Cashier

Katherine C. Misiona
Cashier

Mylene T. Padillo
Finance Clerk



Claims & IT Department

Shiela Mae A. Alindajao
Claims Officer

Jazcyl M. Periodico
Insurance & Claims Assistant



Romeo U. Odarve Jr.
IT Manager

Gio A. Perez
Junior IT Programmer

Alvin J. Damasco
Web-Admin/Layout Artist



Head Office Marketing

Antonio R. Dosdos

Vice-President for Sales & Marketing

Christine P. Olalo

Area Marketing Manager(Mindanao)

Jubairah M. Sultan

Training Officer

Gernie B. Magnanao

Marketing Assistant



Luzon Area Office

Vida Marie V. Generao

Area Marketing Manager(Luzon)

Juan Antonio F. De Dios

Marketing Coordinator

Geraldine D. Campos

Marketing Coordinator

Jhemare N. Arat

Admin/Cashier

Reynalyn L. Reonico

Data Encoder



Visayas Area Office

Aljun R. Arpilleda

Regional Sales Manager

Sheila Marie B. Vallejos

Admin/Cashier

Ivy Marie T. Bayno

Marketing Assistant

Ramon A. But

Marketing Coordinator

Glenda B. Horstman

Marketing Coordinator



Mindanao Area Office

Jed Francis V. Bullecer

Regional Sales Manager

Salve Amor S. Sudario

Marketing Coordinator

Eva M. Edpalina

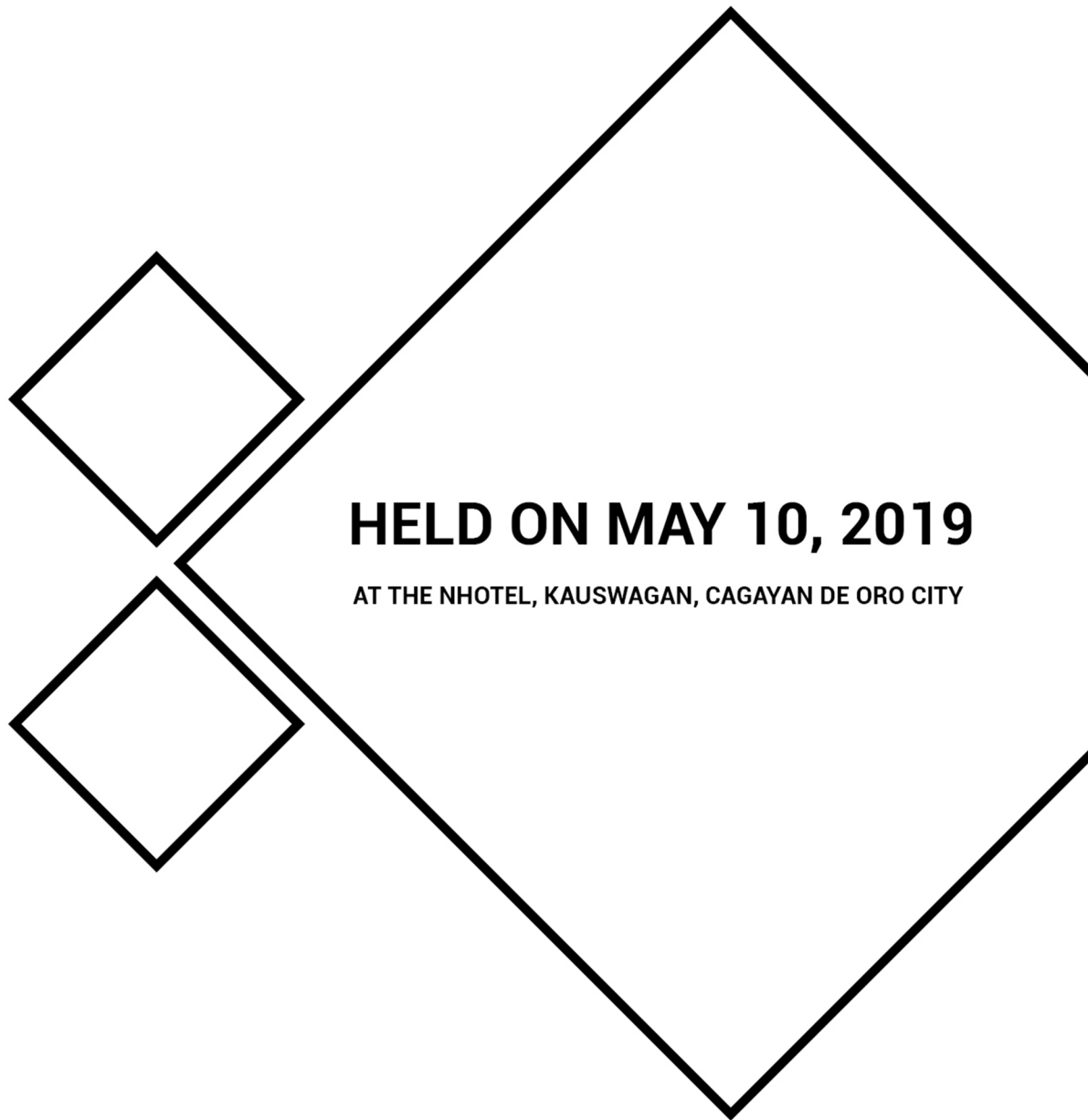
Admin/Cashier

Maria Rowena G. Bañas

Marketing Coordinator



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



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. Paciencia 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 Officer/Exec. Secretary
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 Peña. 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.

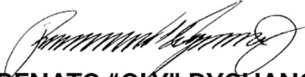
The 3rd Annual Stockholders Meeting was adjourned at 11:54 AM.

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/

2020
Highlights of
Activity

The collage features a central blue banner with the text "2020 Highlights of Activity". Surrounding the banner are numerous hexagonal images depicting various activities:

- Top left: A grid of small video conference windows showing multiple participants.
- Top center: A man in a blue shirt and a woman in a pink shirt holding a gift box.
- Top right: A group of people sitting around a table in a meeting room.
- Middle left: A grid of video conference windows.
- Middle center: A group of people standing together for a photo.
- Middle right: A group of people sitting around a table in a meeting room.
- Bottom left: A grid of video conference windows.
- Bottom center: A woman in a blue shirt holding a certificate.
- Bottom right: A group of people sitting around a table in a meeting room.

2020 TOP SALES PERFORMERS CONGRATULATIONS



At the beginning of 2020, CCLPI Plans launched its 2nd Sales drive, the Trip to Thailand 2020. To show our salesforce our gratitude. We designed a drive to reward their efforts and loyalty to our company. This sales drive represents our appreciation and will serve as an ongoing reminder of their achievements. The said drive will award the agency or person that will hit our qualification per category, all the way from the General Agencies, Agency Manager, Unit Manager, and Sales Counselor.

Unfortunately, the pandemic decided to stay for a little longer. Thus, we had to cancel the sales drive. But we will not let our salesforce's effort left unappreciated. Instead, we decided to award the top performers per category for the year 2020.

Top performing General Agency of the year was awarded to Cosmopolitan Pre-need General Agency, Inc., headed by the gorgeous Ms. Shela Dychangco Joaquin. Their agency has been with us since the beginning, their sales record is very impressive. Keep up the good work!

When asked how they managed to be the top performing General Agency of the year despite the challenges we are facing brought by the pandemic, Ms. Shela said, "There's really no secret in being the top general agency. Especially during the pandemic, when there were more challenges, it is here when open communication between our agencies, Unit Managers, and Agents became the key. Knowing your key people, understanding their needs, and being open to their recommendations are great help as well in setting strategic plans for the company. Our success is really not on top management alone.

Each Sales Counselor played a great role in contributing to the success where we are today."

Cosmopolitan Pre-need General Agency Davao is the top performing agency of the year, the agency is led by the ever-dynamic Mr. Samuel Lizada Sison Sr. His team has been consistently on the top. We recognize that you have consistently achieved, and often exceeded, your goals. Such performance does not go unnoticed. Recipient of the top performing Unit Manager is the dependable Mr. Ric Q. Galido. Also one of the consistent top performing Unit Manager over the years. CCLPI Plans is lucky to have you.

Entering the sales arena is our top performing Sales Counselor Mr. Dennis Castro. He has been with us for only a couple of months, but he made sure his entrance was a remarkable one.

This is what Mr. Castro has to say being the recipient of said award. "We live by the principle of WE CARE, this is also our battle cry to show people that amidst this pandemic, we can still give them peace of mind to carry on with the war against COVID-19. Assurance that we have their back while battling this dreaded disease. It is still our humanity that survives. Our feelings. OUR CARE."

Our warmest congratulations for the recipients of the awards. We know such an achievement does not come easily. You are setting a high standard for others to follow. We look forward to more success in the future.

Mabuhay CCLPI Plans!

MEMORIAL SERVICE PROVIDERS & PARTNERS



2018

MSB - 6
TLIC - N/A
TMSB - 270,000

2019

MSB - 34
TLIC - 90,000
TMSB - 2,310,000.00

2020

MSB - 48
TLIC - 460,000
TMSB - 2,650,000.00

MSB- MEMORIAL SERVICE BENEFIT
TLIC- TOTAL LIFE INSURANCE COVERAGE
TMSB- TOTAL MEMORIAL SERVICE BENEFIT

Financial Statements of
Cosmopolitan CLIMBS Life Plan, Inc.

December 31, 2020 and 2019

And

Report of Independent Auditors

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com



Cosmopolitan CLIMBS Life Plan Inc.

4/f CLIMBS Bldg Tiano-Pacana Sts., Cagayan de Oro City, Philippines 9000

Tel. No: (088) 880-1574, Hotline No: 0998 953 4937.

Email add: cclpi.preneed@gmail.com, Website: www.cclpi.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Cosmopolitan CLIMBS Life Plan, Inc., is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing (PSAs), 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, 2021, Cagayan de Oro City, Philippines.


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


ALVIN Y. TAN UNJO
Treasurer


FERMIN L. GONZALES
President and Chief Executive Officer


MANSUETO V. DELA PEÑA
Chief Operating Officer

REPORT OF INDEPENDENT AUDITORS

Accreditations, Expiry
PRC/BOA 7787, 07.05.23
BIR 16-007506-000-2019, 02.15.22
NEA 2020-12-00070, 12.10.23
7787-SEC Group B, 12.17.25
7787-BSP Group B, 12.10.25
7787-IC Group A, 12.10.25
CDA 119-AF, 03.01.24
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, 2020 and 2019, 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, 2020 and 2019, 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 audits 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 Company's 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.

Quilab & Garsuta, CPAs

PTR No. 4929529 A

January 4, 2021

Cagayan de Oro City

April 15, 2021

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱72,383,652	₱78,658,494
Trade and other receivables (Note 5)	1,399,952	1,702,826
Prepaid expenses (Note 6)	1,274,996	1,158,052
Total Current Assets	75,058,600	81,519,372
Non-Current Assets		
Property and equipment – net (Note 7)	6,185,365	6,665,400
Investments in financial instruments (Note 8)	82,053,187	65,456,869
Investment in Trust Fund – Life Plan (Note 9)	29,546,203	17,156,362
Insurance Premium Fund (Note 10)	2,221,596	950,000
Right-of-use asset – net (Note 7)	411,980	792,269
Other assets (Note 11)	925,870	551,427
Total Non-Current Assets	121,344,201	91,572,327
	₱196,402,801	₱173,091,699
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	₱9,752,581	₱6,450,399
Deposits for future subscriptions (Note 14)	7,000,000	7,000,000
Lease liability (Note 7)	398,413	379,440
Total Current Liabilities	17,150,994	13,829,839
Non-Current Liabilities		
Aggregate reserves for risks (Note 13)	28,704,401	13,146,469
Lease liability (Note 7)	33,332	431,746
Total Non-Current Liabilities	28,737,733	13,578,215
Total Liabilities	45,888,727	27,408,054
Shareholders' Equity		
Share capital (Note 14)	156,050,000	154,487,500
Revaluation reserves on FVTOCI investments (Note 9)	1,993,985	713,882
Deficit of Trust Fund – Life Plan (Note 15)	(3,183,042)	(413,605)
Deficit (Note 15)	(4,346,869)	(9,104,132)
Total Shareholders' Equity	150,514,074	145,683,645
	₱196,402,801	₱173,091,699

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Cosmopolitan CLIMBS Life Plan, Inc.

<i>Years Ended December 31,</i>	2020	2019
REVENUE		
Premiums <i>(Note 16)</i>	₱53,646,642	₱41,373,088
Investment income <i>(Note 17)</i>	5,937,901	6,761,874
Trust fund income <i>(Note 9)</i>	137,173	778,794
Miscellaneous	1,163,423	182,389
Total Revenue	60,885,139	49,096,145
COSTS AND EXPENSES		
Cost of contracts issued:		
Increase in aggregate reserves for risks <i>(Note 13)</i>	15,557,932	9,633,087
Plan benefits <i>(Note 13)</i>	2,879,175	1,091,092
Other direct costs and expenses <i>(Note 18)</i>	19,466,888	14,750,198
Total Costs of contracts issued	37,903,995	25,474,377
Salaries, wages and employees' benefits <i>(Note 19)</i>	12,526,782	10,632,352
General and administrative <i>(Note 20)</i>	5,722,796	9,018,124
Depreciation and amortization <i>(Notes 7 and 11)</i>	1,528,725	1,335,133
Total Costs and Expenses	57,682,298	46,459,986
PROFIT BEFORE INCOME TAX EXPENSE	3,202,841	2,636,159
INCOME TAX EXPENSE – Current <i>(Note 21)</i>	(1,215,015)	(1,508,134)
PROFIT FOR THE YEAR <i>(Notes 15 and 23)</i>	1,987,826	1,128,025
OTHER COMPREHENSIVE INCOME		
<i>Item that will not be recycled subsequently to profit or loss</i>		
Fair value gain on investment in Trust Fund – Life Plan <i>(Note 9)</i>	1,280,103	1,111,562
TOTAL COMPREHENSIVE INCOME	₱3,267,929	₱2,239,587
<i>See Notes to Financial Statements.</i>		

STATEMENTS OF CHANGES IN EQUITY

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2020	2019
SHARE CAPITAL <i>(Note 14)</i>		
Ordinary (Common) Shares		
Opening balances	P134,687,500	P131,250,000
Additional subscriptions received during the year	1,562,500	3,437,500
Closing balances	136,250,000	134,687,500
Preference Shares		
Opening balances	19,800,000	19,800,000
Additional subscriptions received during the year	—	—
Closing balances	19,800,000	19,800,000
Total Share Capital	156,050,000	154,487,500
REVALUATION RESERVE ON FVTOCI INVESTMENTS		
Opening balances, as originally stated	713,882	(317,728)
Recognizing realized trust fund income to profit or loss (net) <i>(Note 15)</i>	—	(79,952)
Opening balances, as restated	713,882	(397,680)
Other comprehensive income for the year <i>(Note 9)</i>	1,280,103	1,111,562
Closing balances	1,993,985	713,882
DEFICIT OF TRUST FUND – LIFE PLAN <i>(Note 15)</i>		
Opening balances	(413,605)	54,452
Loss for the year transferred from Deficit	(2,769,437)	(468,057)
Closing balances	(3,183,042)	(413,605)
DEFICIT		
Opening balances, as originally stated	(9,104,132)	(10,725,714)
Recognizing realized trust fund income to profit or loss <i>(Note 15)</i>	—	99,940
Recognizing final taxes on the trust fund income <i>(Note 15)</i>	—	(19,988)
Separating retained earnings of Trust Fund – Life Plan <i>(Note 15)</i>	—	(54,452)
Opening balances, as restated	(9,104,132)	(10,700,214)
Profit for the year	1,987,826	1,128,025
Transfer of Trust Fund – Life Plan loss for the year <i>(Note 15)</i>	2,769,437	468,057
Closing balances	(4,346,869)	(9,104,132)
	P150,514,074	P145,683,645

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,

2020

2019

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before income tax expense	₱3,202,841	₱2,636,159
Add (deduct) adjustments:		
Depreciation and amortization (Notes 7 and 11)	1,148,436	954,844
Depreciation of right-of-use assets (Note 7)	380,289	380,289
Increase in actuarial reserve liabilities (Note 13)	15,557,932	9,633,087
Provision for impairment on trade and other receivables (Note 5)	12,581	21,239
Interest expense on lease liability (Note 7)	40,559	58,628
Investments and trust fund income (Notes 9 and 17)	(5,800,728)	(7,540,668)
Net cash provided from operations	14,541,910	6,143,578
Changes in working capital, excluding cash and cash equivalents:		
Decrease (increase) in trade and other receivables (Note 5)	290,293	(50,798)
Increase in prepaid expenses (Note 6)	(116,944)	(26,755)
Increase in trade and other payables (Note 12)	3,302,182	4,051,061
Net cash generated from operations	18,017,441	10,117,086
Income taxes paid (Note 21)	(1,215,015)	(1,508,134)
Net Cash Provided from Operating Activities	16,802,426	8,608,952

CASH FLOWS FOR INVESTING ACTIVITIES

Increase in investments in financial instruments (Note 8)	(16,596,318)	(55,456,869)
Increase in investment in Trust Fund – Life Plan (Note 9)	(11,109,738)	(4,362,528)
Additions to Insurance Premium Fund (Note 10)	(1,271,596)	(950,000)
Investments and trust fund income (Notes 9 and 17)	5,800,728	7,540,668
Acquisition of property and equipment (Note 7)	(566,677)	(1,852,544)
Increase in other non-current assets (Note 11)	(476,167)	(26,800)
Net Cash Used for Investing Activities	(24,219,768)	(55,108,073)

CASH FLOW FROM FINANCING ACTIVITIES

Payments received from capital stock subscriptions (Note 14)	1,562,500	3,437,500
Payment of lease principal and interest (Note 7)	(420,000)	(420,000)
Acceptance of deposits for future subscriptions (net) (Note 14)	–	(3,000,000)
Net Cash Provided from Financing Activities	1,142,500	17,500

NET DECREASE IN CASH AND CASH EQUIVALENTS (6,274,842) (46,481,621)

OPENING CASH AND CASH EQUIVALENTS 78,658,494 125,140,115

CLOSING CASH AND CASH EQUIVALENTS (Note 4) **₱72,383,652** ₱78,658,494

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Cosmopolitan CLIMBS Life Plan, Inc.

As of and for the Years Ended December 31, 2020 and 2019

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.

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.

The principal accounting policies adopted are set out below.

Going Concern

The Board of Directors has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Impact of the Initial Application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The Philippine's FRSC adopted the amendments as 'Amendment to PFRS 16' on June 1, 2020.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In 2020, the Company considers the Amendment not applicable considering that it has not received any rent related concessions and it is not expecting to request or be given rent related concessions in the coming months.

Impact on Accounting for Changes in Lease Payments Applying the Exemption

The Company has not applied the practical expedient to all rent concessions that meet the conditions in PFRS 16:46B. The Company has not benefited from waiver of lease payments on its lease of the office spaces, nor any payment holiday.

In accordance with PFRS 16:46B, had the Company received any waiver of lease payments or any payment holiday, or even discounts or reduction in lease payments, it needs to remeasure the lease liability using the revised lease payments and revise the discount rate originally applied to the lease, so that it would result in a decrease in the lease liability, and which should be recognized as a negative variable lease payment in profit or loss.

Impact of Initial Application of Other New and Amended PFRS Standards that are Effective for the Current Year

In the current year, the Company has applied the below amendments to PFRS Standards and Interpretations issued by the Financial Reporting Standards Council (FRSC) of the Professional Regulatory Commission (PRC) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in PFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in PFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. 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 IASC 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 Standards which are amended are 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.

Amendments to IFRS 3 Definition of a Business

The Company has adopted the amendments to PFRS 3 for the first time in the current year. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance 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 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The Company has adopted the amendments to PAS/IAS 1 and PAS/IAS 8 for the first time in the current year. The amendments 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 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.

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:

- IFRS 17 *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting
- Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The management and 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.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In the Philippines, the Insurance Commission (IC) approved to defer the implementation of IFRS 17 (it will become PFRS 17) to January 1, 2023, per IC Circular Letter No. 218-69, dated December 28, 2018. This Circular was further amended by Circular Letter No. 2020-62, dated May 18, 2020, further extending the implementation of IFRS 17 to January 1, 2025.

The Company anticipates no impact on PFRS 17 in its 2020 financial statements.

Amendments to 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 (and consequently by the FRSC); however, earlier application of the amendments is permitted. The management and the Board of Directors of the Company do 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 PAS/IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to PAS/IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to PFRS 3 – Reference to the Conceptual Framework

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS/IAS 37, an acquirer applies PAS/IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to PAS/IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS/IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS/IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the

entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Company shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of the General Fund (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to PAS/IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

PFRS 1 First-time Adoption of Philippine Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

PFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

PFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

PAS/IAS 41 Agriculture

The amendment removes the requirement in PAS/IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS/IAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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.

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, except for trade and other receivables that do not have a significant financing component which are measured at transaction price.

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.

The Company's financial assets at amortized costs includes cash and cash equivalents and trade and other receivables.

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.

Trade and Other Receivables

Trade and other receivables are outstanding balances from debtors less the allowance for impairment losses. Receivables are recognized when the Company becomes party to the contract which happens when the goods or services are dispatched. They are derecognized when the rights to receive the cash flows have expired e.g., due to the settlement of the outstanding amount or where the Company has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for impairment losses. Trade and other receivables are subsequently measured at amortized cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

(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.

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.

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).

(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. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

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) Service vehicles, 10 years;
- b) Office furniture, fixtures and equipment, 3 to 5 years;
- c) IT equipment, 10 years, and
- d) Leasehold improvements, 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.

Right-of-Use Assets

Right-of-use assets are depreciated over the shorter period of the lease term and the 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.

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.

Share Capital

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)

Retained earnings (Deficit) include all current results of operations as disclosed in the statement of changes in equity.

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) 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', and
- (b) Retained Earnings (Deficit) Trust Fund – Life Plan, which pertains to the accumulated income of the investments in trust fund.

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.'

Revaluation Reserves on FVTOCI Investments

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 securities 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 beginning 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.

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.

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 branch offices nationwide. 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. For purposes of discounting, the Company is using the average borrowing rate of its loans and borrowings.

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 years 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 and the corresponding lease liability are presented separately in the statement of financial position as required under IC Circular Letter No. 2019-70, dated December 2, 2019.

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 "Rental" in the statement of profit or loss.

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.

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.

The Company is not a lessor of properties.

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 amounts 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 operation of the Company is barely three 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 Taxation

The income tax expense represents the sum of the tax currently payable and deferred. The Company has no deferred taxes presently.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of the Chief Accounting Officer of the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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>	2020	2019
Cash on hand and revolving funds	P165,000	P155,000
Cash in banks	34,333,928	22,855,738
Short-term placements in banks	40,106,320	56,597,756
Total	74,605,248	79,608,494
Designated for Insurance Premium Fund (Note 10)	2,221,596	950,000
	P72,383,652	P78,658,494

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 P665,850 in 2020 and P5,543,579 in 2019. (See Note 17.)

Note 5

Trade and Other Receivables

This consists of the following:

<i>December 31,</i>	2020	2019
Advances to officers and employees, subject to liquidation procedures	P732,615	P1,034,722
Accounts receivable – others	525,529	212,572
Accrued interest receivables	180,918	482,061
Total	1,439,062	1,729,355
Less allowance for expected credit losses (ECL)	39,110	26,529
Net	P1,399,952	P1,702,826

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>	2020	2019
Opening balances	P26,529	P5,290
Provision for impairment losses for the year charged to operations	12,581	21,239
Closing balances	P39,110	P26,529

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.

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
Prepaid Expenses

Details

<i>December 31,</i>	2020	2019
Deferred filing fees with the Insurance Commission (IC)	P879,615	P935,774
Prepayments	200,000	–
Unused office and marketing supplies	195,381	222,278
	P1,274,996	P1,158,052

The deferred filing fees with the 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 P55,621 in 2020 and P44,651 in 2019. (See Note 18.)

The prepayments pertain to advances made to NAFECOOP Printing Press (National Federation of Cooperative Primaries in the Philippines) for the materials and supplies for the Company's for future printing needs.

Note 7
Property and Equipment and Right-of-Use Assets – Net

Details of Property and Equipment – Net

<i>December 31,</i>	2020	2019
Service vehicles	P5,154,775	P5,154,775
Office furniture, fixtures and equipment	2,384,443	1,967,552
IT equipment	930,356	930,356
Leasehold improvements	393,714	243,928
Total	8,863,288	8,296,611
Less accumulated depreciation	2,677,923	1,631,211
Net	P6,185,365	P6,665,400

Reconciliation of the Accounts

<i>December 31, 2020</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Service vehicles	P5,154,775	P–	P–	P5,154,775
Office furn., fixtures and equipment	1,967,552	416,891	–	2,384,443
IT equipment	930,356	–	–	930,356
Leasehold improvements	243,928	149,786	–	393,714
Total cost	8,296,611	566,677	–	8,863,288
Less accumulated depreciation	1,631,211	1,046,712	–	2,677,923
Net Book Value	P6,665,400	(P480,035)	P–	P6,185,365

December 31, 2019

Property and Equipment

Service vehicles	P4,087,668	P1,067,107	P–	P5,154,775
Office furn., fixtures and equipment	1,338,032	629,520	–	1,967,552
IT equipment	780,689	149,667	–	930,356
Leasehold improvements	237,678	6,250	–	243,928
Total cost	6,444,067	1,852,544	–	8,296,611

(Carried Forward.)

(Brought Forward.)

<i>December 31, 2020</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Total cost	6,444,067	1,852,544	–	8,296,611
Less accumulated depreciation	752,180	879,031	–	1,631,211
Net Book Value	₱5,691,887	₱973,513	₱–	₱6,665,400

Right-of-Use Assets – Net

This consists of the following:

<i>December 31,</i>	2020	2019
Right-of-use asset	₱1,172,558	₱1,172,558
Less accumulated depreciation	760,578	380,289
Net	₱411,980	₱792,269

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. Total interest expense amounted ₱40,599 in 2020 and ₱58,628 in 2019.

The Company initially recognized in 2019 the right-of-use asset at ₱1,172,558 and also recognized the corresponding lease liability amounting ₱811,186. The depreciation was computed at ₱380,289 both in 2020 and 2019.

Total lease payments (including interest) amounted ₱420,000 both in 2020 and 2019.

Accounting of the Movement of Right-of-Use Assets

	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
<i>December 31, 2020</i>				
Right-of-use asset	₱1,172,558	₱–	₱–	₱1,172,558
Less accumulated depreciation	380,289	380,289	–	760,578
Net Book Value	₱792,269	(380,289)	–	₱411,980
<i>December 31, 2019</i>				
Right-of-use asset	₱–	1,172,558	₱–	₱1,172,558
Less accumulated depreciation	–	380,289	–	380,289
Net Book Value	–	792,269	–	792,269
	₱–	₱1,765,782	₱–	₱7,457,669

Details of Lease Liability

<i>December 31,</i>	2020	2019
Current (portion due for the next 12 months)	₱398,413	₱379,440
Non-current (portion due in excess of 12 months, until February 2, 2022)	33,332	431,746
Total Lease Liability	₱431,745	₱811,186

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 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>	2020	2019
Investment in externally managed funds (see below)	P57,508,740	P50,456,869
Investments in corporate bonds	24,544,447	15,000,000
	P82,053,187	P65,456,869

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>	2020	2019
<u>Assets</u>		
Cash in bank	P369	P1,868
Investment in UITF	458,743	540,088
Investment in debt securities	56,795,562	49,660,314
Other receivables	407,866	388,033
Total Assets	57,662,540	50,590,303
<u>Liabilities</u>		
Trust fees payable	72,227	55,828
Accrued expenses	81,573	77,606
Total Liabilities	153,800	133,434
<u>Net Assets</u>	P57,508,740	P50,456,869

Net Assets Accounted as Follows:

Trust fund principal	P50,456,869	P50,000,000
Additional contribution	5,000,000	–
Realized gain on sale of financial assets (net of final taxes)	2,051,871	456,869
	P57,508,740	P50,456,869

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, amounting ₱4,660,769 in 2020 and ₱571,086 in 2019. (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>	2020	2019
Metropolitan Bank & Trust Company (Metrobank)	₱10,000,000	₱10,000,000
Rizal Commercial Banking Corporation (RCBC)	6,514,751	–
BDO Unibank, Inc. (BDO)	5,000,000	5,000,000
Bank of the Philippine Islands (BPI)	3,029,696	–
	₱24,544,447	₱15,000,000

These investments are debt securities with the following features:

- a) Investment in 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 RCBC is a Long-Term Negotiable Certificate of Time Deposit (LTNCD) that earns interest at a rate of 6.5% per annum. The investment will mature on March 18, 2021.
- c) Investment in BDO is a 5-year, 5.3750% per annum LTNCD that was purchased on April 12, 2019 and will mature on October 12, 2024.
- d) Investment in BPI is 1.5-year, 3.34% per annum LTNCD managed by BPI Asset Management and Trust Corporation, acquired on March 27, 2020 and will mature on September 27, 2021.

Total interest income earned from these investments (gross of final taxes) amounted ₱611,282 in 2020 and ₱647,209 in 2019. Net of taxes, the investments income amounted ₱489,026 in 2020 and ₱517,767 in 2019. (See Note 17.)

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:
(Please see table next page.)

<i>December 31,</i>	2020	2019
Opening balances	₱21,809,616	₱7,966,570
Contributions during the year <i>(Note 16)</i>	20,959,907	14,934,138
Plan benefit expenses incurred during the year <i>(Note 13)</i>	(2,879,175)	(1,091,092)
Closing balances	₱39,890,348	₱21,809,616

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 a 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>	2020	2019
Trust Fund Contributions (net) (see table above)	₱39,890,348	₱21,809,616
Amount of Investment in Trust Fund (see table in the following page)	(29,546,203)	(17,156,362)
Undeposited Contributions	₱10,344,145	₱4,653,254

The Company earmarked portions of its cash in banks for the subsequent increase in trust fund investment in 2021.

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.

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

<i>December 31,</i>	2020	2019
<u>Assets</u>		
Cash in bank	₱3,753,927	₱230,569
Investment in quoted equity securities	4,883,751	4,769,576
Investment in Government securities	20,658,515	12,022,923
Other receivables	280,357	154,905
Total	29,576,550	17,177,973
<u>Liabilities</u>		
Trust fees payable	30,306	21,572
Accrued expenses	41	39
Total	30,347	21,611
<u>Net Assets</u>	₱29,546,203	₱17,156,362

Net Assets Accounted as Follows:

Trust fund principal	₱17,156,362	₱11,682,272
Additional contributions	11,000,000	3,739,493
Realized gain on sale of financial assets (net of final taxes)	109,738	623,035
Unrealized gain on FVOCI	1,280,103	1,111,562
	₱29,546,203	₱17,156,362

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, at ₱137,173 in 2020 and ₱778,794 in 2019.

The fair value gain on investments amounting ₱1,280,103 in 2020 and ₱1,111,562 in 2019 were credited to other comprehensive income in the statements of profit or loss and other comprehensive income. Management was assured by the Fund Trustee that the financial instruments were not impaired at the end of the year.

The accounting of the revaluation reserves on FVTOCI investment is presented in the statement of changes in equity.

Computation of Trust Fund Surplus

<i>December 31,</i>	2020	2019
Net assets of Trust Fund – Life Plan	₱29,546,203	₱17,156,362
PNR and plan benefits payable (actuarially computed) (Note 13)	(28,704,401)	(13,146,469)
Trust Fund Surplus	₱841,802	₱4,009,893

Note 10**Insurance Premium Fund**

This represents the bank deposits in Land Bank of the Philippines (LBP), amounting ₱2,221,596 in 2020 and ₱950,000 in 2019. (See Note 4).

The fund was established in 2019 and designated (restricted) in 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 Insurance Premium Fund shall be equal to the amount computed for the Insurance Premium Reserves (IPR). (See Note 13.) The amount maintained by the Company is found to be in excess of the required IPR.

Note 11**Other Non-Current Assets**

This account consists of the following:

<i>December 31,</i>	2020	2019
Computer software, at cost	₱923,824	₱557,157
Less accumulated amortization	(237,454)	(135,730)
Net	686,370	421,427
Security deposits (Note 22)	239,500	130,000
	₱925,870	₱551,427

The cost of computer software is amortized over a period of 5 years, beginning 2017. Amortization costs charged to operations amounted ₱101,724 in 2020 and ₱75,813 in 2019.

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>	2020	2019
Accrued expenses	₱4,924,849	₱2,343,248
Accounts payable to a major stockholder (Note 22)	1,545,135	1,880,360
Planholders' deposits (unearned premiums)	1,227,165	655,077
Cash bond payable	1,051,077	642,010
Unremitted contributions to Government agencies	1,004,355	929,704
	₱9,752,581	₱6,450,399

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>	2020	2019
Pre-need reserves (PNR) for life plans	₱27,217,290	₱12,414,049
Insurance premium reserves (IPR)	1,487,111	732,420
	₱28,704,401	₱13,146,469

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 amounts 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, 2020, the Company has a total of 813 fully paid plans, amounting ₱34.76 million and a total of 7,537 plans on installments, totaling ₱315.910 million. Plan benefits paid amounted ₱2,879,175 in 2020 and ₱1,091,092 in 2019. Plan benefits remained unpaid amounted ₱180,000 in 2020 and ₱0 in 2019.

Insurance Premium Reserves (IPR)

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 required 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, 2020</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
Balances as of December 31, 2019	12,414,049	732,420	13,146,469
Provisions during 2020	14,803,241	754,691	15,557,932
Balances as of December 31, 2020	₱27,217,290	₱1,487,111	₱28,704,401

Note 14

Share Capital

The Company's share capital consists of the following:

<i>December 31,</i>	2020	2019
<u>Ordinary (Common) Shares</u>		
Authorized – 150 million shares, ₱1.00 par value		
Issued and outstanding: 136,250,000 shares in 2020; 134,687,500 in 2019	₱136,250,000	₱134,687,500
<u>Preference Shares</u>		
Authorized – 200 thousand shares, ₱100.00 par value		
Issued and outstanding: 198,000 shares in 2020 and 2019	19,800,000	19,800,000
Total Share Capital	₱156,050,000	₱154,487,500

Deposits for Future Subscriptions

The Company's authorized ordinary (common) capital stock has been fully subscribed by shareholders at the end of 2018. The Company has initiated actions to increase its authorized capital. In the meantime, additional investments from shareholders were accepted as deposits, totaling ₱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 ₱136.25 million at the end of 2020. The Company also has authorized preference shares of ₱20 million of which ₱19.8 million have been fully paid at the end of 2020. Additionally, the Company accepted deposits for future stock subscriptions which will eventually augment its capitalization to comply with the requirements of R.A. 9829.

Overall, the Company's share capital and deposit for future subscriptions totaled ₱163,050,000 in 2020 and ₱154,494,500 in 2019, clearly surpassing the required minimum capitalization of a pre-need company.

Other Disclosures

As at December 31, 2020, the Company has six (6) shareholders owning 100 or more ordinary (common) and preference shares each.

Note 15

Deficit of Trust Fund – Life Plan

The accounting of the profit and loss of Trust Fund – Life Plan follows:

<i>Years Ended December 31,</i>	2020	2019
Income from investment of trust fund (Note 9)	₱137,173	₱778,794
Plan benefits paid (Note 13)	(2,879,175)	(1,091,092)
Final taxes on investment income (Note 8)	(27,435)	(155,759)
Net Deficit	(₱2,769,437)	(₱468,057)

The Trust Fund – Life Plan net deficit, included in the statement of profit or loss and other comprehensive income as a whole, is transferred from Deficit to Retained Earnings (Deficit) Trust Fund – Life Plan at the end of the year.

Restatement of the Beginning Balance of Retained Earnings (Deficit) of 2019

The beginning balance of the 2019 retained earnings (deficit) has been restated to recognize in profit and loss of 2018 the realized income from investment in Trust Fund – Life Plan and accumulate the surplus (deficit) in

Retained Earnings (Deficit) Trust Fund – Life Plan. The reclassification also restated the other comprehensive income and deficit but has not affected the assets and liabilities balances of 2019.

Note 16

Details of Premium Revenue

<i>Years Ended December 31,</i>	2020	2019
Realized gross premium income	₱35,199,593	₱29,716,696
Amortization	2,582,569	1,437,727
Discount on spot cash	(1,082,000)	(1,510,000)
Net	36,700,162	29,644,423
Allocation for trust fund contributions	20,959,907	14,934,138
Total Receipts	57,660,069	44,578,561
Value-added taxes	(4,013,427)	(3,205,473)
Net Premium Revenue	₱53,646,642	₱41,373,088

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 ₱17,538,001 in 2020 and ₱13,808,574 for 2019. (See Note 18.)

Note 17

Details of Investments Income

<i>Years Ended December 31,</i>	2020	2019
Interest income from cash and cash equivalents (Note 4)	₱665,850	₱5,543,579
Interest income from investment in corporate bonds (Note 8)	611,282	647,209
Income from externally managed funds (Note 8)	4,660,769	571,086
	₱5,937,901	₱6,761,874

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>	2020	2019
Collection costs (commissions) (Note 16)	₱18,048,328	₱13,808,574
Insurance	1,362,939	896,973
Licensing fees amortized on plans issued (Note 6)	55,621	44,651
	₱19,466,888	₱14,750,198

Note 19

Details of Salaries, Wages and Employees' Benefits

<i>Years Ended December 31,</i>	2020	2019
Salaries and wages	₱8,227,958	₱6,885,885
Employees' benefits	2,697,658	2,544,190
Honoraria	1,601,166	1,202,277
	₱12,526,782	₱10,632,352

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 at present.

Note 20

Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	2020	2019
Promotions and marketing	₱1,692,167	₱3,998,979
Rent (Note 7)	691,753	662,548
Taxes, licenses and fees (Note 28)	604,515	256,230
Communications	498,172	104,958
Professional fees	407,479	303,104
Travel and transportation	417,043	833,911
Office supplies	372,706	232,746
Meetings and conferences	262,410	1,766,617
Dues and subscriptions	238,838	363,962
Repairs and maintenance	210,112	101,458
Light and water	128,849	169,783
Interest on lease liability (Note 7)	40,559	58,628
Provision for ECL on trade and other receivables (Note 5)	12,581	21,239
Insurance	1,144	125,540
Miscellaneous	144,468	18,421
	₱5,722,796	₱9,018,124

Note 21

Income Taxes

CREATE Act

Prior to July 1, 2020, the Company's income tax expense was based on the regular rate of 30%. Beginning July 1, 2020, the normal corporate income tax rate has now changed from the fixed rate of 30% of taxable income to a choice of 20% or 25% of taxable income depending on certain parameters involving the amount of taxable income and net amount of total assets less the value of land. The MCIT computation has likewise changed from 2% to 1% of gross income. The Company is subject to the Minimum Corporate Income Tax (MCIT) rate of 1% 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 January 1, 2021.

The implementing guidelines of new tax rate is covered by Revenue Regulations No. 5-2021, 'Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the 'Corporate Recovery and Tax Incentives for Enterprises Act' (CREATE), Which Further Amended the National Internal Revenue Code (NIRC) of 1997.'

Income Tax Expense – Current

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

<i>December 31,</i>	2020	2019
Normal Income Tax or MCIT whichever is higher	₱–	₱–
Minimum Corporate Income Tax (MCIT)	NA	NA
Final taxes on investments income (Note 17)	1,187,580	1,352,375
Final taxes on trust fund income (Note 15)	27,435	155,759
Income Tax Expense – Current	₱1,215,015	₱1,508,134

Reconciliation of Pretax Income

<i>Years Ended December 31,</i>	2020*	2019
Tax at statutory rate	P546,652	P338,407
Additions (deductions) resulting from:		
Depreciation of right-of-use asset <i>(Note 7)</i>	104,579	114,087
Interest expense on lease liability <i>(Note 7)</i>	11,154	17,588
Rent expense <i>(Note 7)</i>	(115,500)	(126,000)
Increase in provision for ECL <i>(Note 5)</i>	3,460	6,372
Investment income <i>(Note 17)</i>	(1,336,516)	(1,809,760)
Change in unrecognized deferred tax assets	786,171	1,459,306
Income Tax Payable	P-	P-

*Using the average rate of 27.5% under CREATE Act.

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; and
- 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 P2.8 million for 2020 and P4.9 million for 2019 and for which no deferred tax assets have been recognized as of December 31, 2020. 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>
2020	P2,858,804	December 31, 2023
2019	4,864,353	December 31, 2022
2018	5,273,099	December 31, 2021
2017	8,713,191	December 31, 2020
Total	P21,709,447	

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 ₱1,545,135 by the end of 2020 and ₱1,880,360 by the end of 2019. (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>	2020	2019
Opening balances	₱1,880,360	₱1,288,732
Additional charges incurred	883,987	597,868
Payments made	(1,219,212)	(6,240)
Closing balances	₱1,545,135	₱1,880,360

- c) A stockholder is also providing the mortuary services required under the life plan policies. Total payments for services rendered amounted ₱2,644,000 in 2020 and ₱1,640,000 in 2019.
- 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 ₱17,538,001 in 2020 and ₱13,808,574 for 2019. (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>	2020	2019
Salaries and wages	₱4,747,158	₱4,747,158
Honoraria	805,555	805,555
Employee benefits	806,900	806,900
	₱6,359,613	₱6,359,613

Note 23

Computation of the Earnings Per Common Share

For purposes of computing the earnings per share, the following accounting of the profit for the year for the unrestricted earnings is presented: (Please see table next page.)

Accounting of Profit (Loss) for the Year

<i>Years Ended December 31,</i>	2020	2019
Profit for the year per statement of profit or loss	P1,987,826	P1,128,025
Less loss for the year of trust fund – life plan (Note 15)	(2,769,437)	(468,057)
Profit for the Year (Corporate Funds), Unrestricted	P4,757,263	P1,596,082

Earnings Per Ordinary (Common) Share

<i>Years Ended December 31,</i>	2020	2019
Profit for the year, unrestricted (see table above)	P4,757,263	P1,596,082
Weighted average number of common shares	136,211,473	133,331,336
Earnings Per Common Share	P0.0349	P0.0120

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, 2020</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 4)	P74,605,248	P–	P–	P74,605,248
Trade and other receivables (Note 5)			1,399,952	1,399,952
Investment in Trust Fund–Life Plan (Note 9)			29,546,203	29,546,203
Investments in financial instruments (Note 8)			82,053,187	82,053,187
	P–	P–	P112,999,342	P187,604,590
<u>Financial liabilities</u>				
Trade and other payables (Note 12)	P–	P–	P9,752,581	P9,752,581
Deposits for future subscriptions (net) (Note 14)			7,000,000	7,000,000
	P–	P–	P16,752,581	P16,752,581
<i>December 31, 2019</i>				
<u>Financial assets</u>				
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
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
	P79,608,494	P–	P84,316,057	P163,924,551
<u>Financial liabilities</u>				
Trade and other payables (Note 12)	P–	P–	P6,450,399	P6,450,399
Deposits for future subscriptions (Note 14)			7,000,000	7,000,000
	P–	P–	P13,450,399	P13,450,399

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 considering the related credit risk of counterparties 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, 2020 and 2019.

<i>December 31, 2020</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Prepaid expenses (Note 6)			P1,274,996	P1,274,996
Property and equipment (Note 7)			6,185,365	6,185,365
Right-of-use asset (Note 7)			411,980	411,980
Other non-current assets (Note 11)			925,870	925,870
			P8,798,211	P8,798,211
<i>December 31, 2019</i>				
Prepaid expenses (Note 6)			P1,158,052	P1,158,052
Property and equipment (Note 7)			6,665,400	6,665,400
Right-of-use asset (Note 7)			792,269	792,269
Other non-current assets (Note 11)			551,427	551,427
			P9,167,148	P9,167,148

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 ₱82,796,571 in 2020 and ₱66,992,901 in 2019, 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 ₱1,280,103 in 2020 and 1,111,562 in 2019. (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, 2020 and 2019 is the carrying amounts as shown below:

<i>December 31,</i>	2020	2019
Cash and cash equivalents <i>(Note 4)</i>	₱74,605,248	₱79,608,494
Trade and other receivables <i>(Note 5)</i>	1,399,952	1,702,826
Investment in Trust Fund – Life Plan <i>(Note 9)</i>	29,546,203	17,156,362
Investments in financial instruments <i>(Note 8)</i>	82,053,187	65,456,869
	₱187,604,590	₱163,924,551

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

<i>December 31, 2020</i>	<i>High Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents <i>(Note 4)</i>	₱74,605,248	₱–	₱–	₱74,605,248
Trade and other receivables <i>(Note 5)</i>	1,399,952			1,399,952
Investments in fin. instruments <i>(Note 8)</i>	29,546,203			29,546,203
<i>(Carried Forward.)</i>				

(Brought Forward.)
December 31, 2020

	High Grade	Standard Grade	Impaired	Total
Investment in Trust Fund–Life Plan (Note 9)	82,053,187			82,053,187
	P187,604,590	P–	P–	P187,604,590
December 31, 2019				
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 fin. instruments (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

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:

December 31, 2020	Due in 1 Year	Due Over 1 Year	Total
Trade and other payables (Note 12)	P9,752,581	P–	P9,752,581
Deposits for future subscriptions (Note 14)	7,000,000	–	7,000,000
	P16,752,581	P–	P16,752,581
December 31, 2019			
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

Note 26

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

At the time of the authorization of these financial statements, the Philippine Government continues to implement varying degrees of quarantine protocols nationwide through April 30, 2021, as its effective measures against the spread of the Corona Virus (COVID-19). The country remains under Code Red Sublevel 2 on its code alert system, indicating ongoing local virus transmission with greater numbers of cases than the Government can address. The Central Government has ordered Metro Manila and the surrounding provinces of Bulacan, Cavite, Laguna, and Rizal to enforce the enhanced community quarantine (ECQ) through April 4, which was extended for another week. Additional localities will enforce the general community quarantine (GCQ), the third-strictest level of curbs from April 1-30. The continuing GCQ in Metro Manila and selected areas nationwide came after reports of a mutated COVID-19 variant emerging from United Kingdom, South Africa and even the variants from Brazil.

The Philippine Government continues to restrict the movements of its citizens who are 17 years old and below, as well those over 65 years. Face-to-face or in-person classes are still suspended; mass gatherings are still

prohibited. However, religious gatherings in areas under the GCQ have been allowed up to fifty percent (50%) of the seating capacity.

The Government has begun the safe opening of the economy and transition to the new normal. The management of the risk has been identified as the key to economic recovery. The Philippine National Vaccination Program and Implementation Plan is in place and the vaccination program has already started in March 2021. The Philippines pre-COVID-19 has been enjoying strong economic growth and was considered as one of the fastest growing economies in the Asia, with real GDP growing on average 6.3% over ten years up to 2019. The onset of COVID-19 pandemic brought the country's economy into recession as the country implemented one of the longest lockdowns in the world, where 75% of the economy was shut down.

The shutdown shrank the GDP by 11.5% year on year in the third quarter of 2020 bouncing back with a smaller contraction from the 16.9% in the previous quarter. The GDP growth rate assumption for 2020 had been adjusted to -8.5% to -9.5% while the inflation rate is projected to range from 2.4% to 2.6%. The inflation projection for 2021 and 2022 is retained at 2.0% to 4.0%. Thus, the Government remained hopeful that the economy will see a strong recovery in 2021 as it moves towards full reopening. GDP growth is projected to bounce back to reach 6.5 to 7.5 percent in 2021 and 8 to 10 percent in 2022.

The foregoing paragraphs have been sourced from an article published in this link and updated since then: <https://www.flandersinvestmentandtrade.com/export/nieuws/coronavirus-situation-philippines>

The Company has determined that the impact of the COVID-19 Pandemic in its operations include the following: (1) less marketing activities were undertaken due to restrictions imposed by lockdowns and quarantine protocols; (2) higher claims and benefits paid was registered in 2020, although only few of the claimants were due to COVID-19 infections; (3) employees were working from home to implement social distancing in office premises; (4) a decrease in premiums collected in the middle of the year were noted due to lockdowns and quarantine protocols implemented nationwide, and (5) short-term placements earned lower returns as the market rates have significantly went down.

The Board and management is monitoring closely the operations of 2021 especially as the Pandemic continues to rage on and new variants are presently causing the resurgence of the virus in the Luzon area. Management has determined that no adjustments are necessary on its 2020 financial statements related to the Pandemic.

Note 27

Authorization of Financial Statements

The financial statements of Cosmopolitan CLIMBS Life Plan, Inc. for the period ended December 31, 2020 were authorized for issue by its President on April 15, 2021.

Note 28

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 2020:

<i>Years Ended December 31,</i>	2020	2019
IC registration fees	P337,337	P101,000
Business permit and licenses	265,778	153,230
Legal, notarial fees and others	1,400	2,000
	P604,515	P256,230

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- Coop Family Plan (**CFP**)
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- CLIMBS Life Plus
- Kids & Youth Secure (**KYSE**)
- Bantay Protection for Tanod and Security Guards
- Insurance TeleHealth (**INTELEHEALTH**)
- COVID19 Complementary Protection (**COPE**)
- Family Protection Plan (**FPP**)

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- 5 Pay Endowment at 15
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- 5 Pay Life

CAC Exclusive Products

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- 3Sure Life Insurance
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- MyParents Protek (**MPP**)

Non-Life Products

- Tricycle Operators and Drivers Association (**TODA**) Accident
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- Millennials Protek
- Love Yourself Always (**LYSA**)

Microinsurance Products

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- Coop AKSI
- CLIMBS Health & Accident Insurance (**CHAIN**)
- Student Personal Accident Insurance (**SAI**)
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- PATxt15

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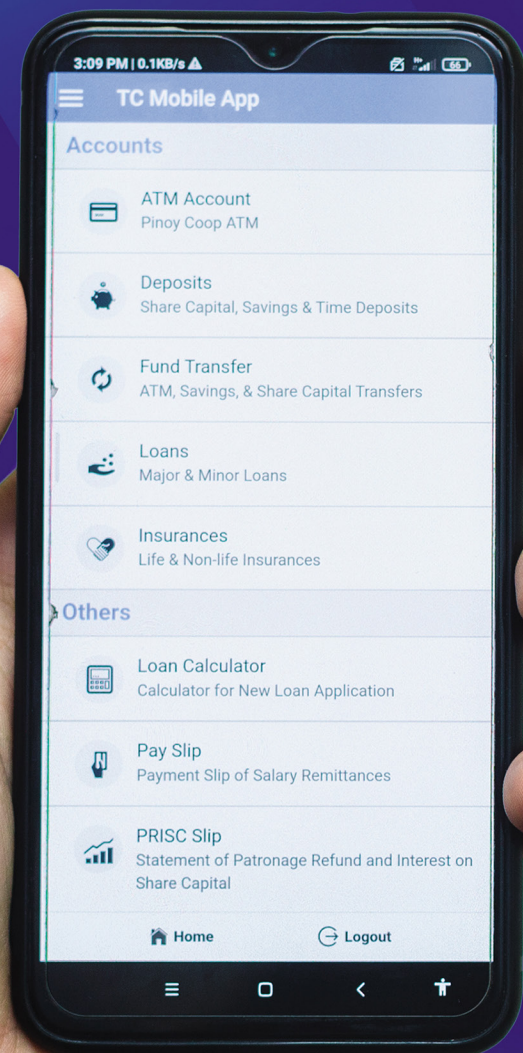
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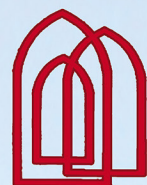
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