



ANNUAL
REPORT
2021

One Team, One Goal



CCLPI *Plans*

www.cclpi.com.ph

Company Overview

CCLPI Plans was founded in 2016. It began on the idea of providing a dignified but affordable life plan. Come forth, the birth of an exceptional company with an extraordinary heritage and a promising future. Today, Filipinos prefer our preneed product because we offer the only fixed value life plan in the country. In our fifth year, the company has authorized to sell three billion gross contract price mark. Our head office is in Cagayan de Oro with offices nationwide. We redefine preneed by creating an unmatched product with quality services in an effort for an inclusive society.



Company Profile

Company Highlights

- ⊕ Founded on December 7, 2016.
- ⊕ The ever pre-need that is a joint venture of cooperative and private sector.
- ⊕ The 1st pre-need born in Mindanao.
- ⊕ The 1st pre-need to offer fixed value life plan.
- ⊕ The 1st pre-need company under Insurance Commission.
- ⊕ With over 377 accredited mortuaries nationwide.
- ⊕ 250 total number of Plan holders serviced.
- ⊕ 20, 445 new policy holder of 2021.

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Insurance Commissioner Message

Cosmopolitan CLIMBS Life Plan, Inc.
5th Annual Stockholders' Meeting
"One Team, One Goal"

I send my warm regards and earnest felicitations to the Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI) on the successful conduct of its 5th Annual Stockholders' Meeting. Congratulations for celebrating another year of success and milestone. I commend the dedication and commitment that you have shown in your line of service.

The success you had achieved in the recent years would not be possible if not for the perseverance, cooperation, and hard work among your people. Your theme for this year's celebration, "One Team, One Goal", emphasizes the importance of team work and camaraderie towards attaining a common goal, one that is rooted in giving service to the people and making a positive impact in the society.

With this, I encourage the leaders of CCLPI to continuously seek innovative ways through which you can improve your products and services not just to better serve the people, but also to be able to get along with the ever-changing and growing demands of the market.

I trust that CCLPI will remain steadfast in providing comprehensive life plan program that delivers the utmost care and benefit to your clients. Rest assured that the Insurance Commission is here to support CCLPI towards the attainment of its goals.

More power to CCLPI !

Dennis B. Funa
Insurance Commissioner

Republic of the Philippines Department of Finance INSURANCE COMMISSION



Insurance Commissioner
Message



City Mayor of Cagayan de Oro City Message

As we take the helm of the City of Cagayan de Oro, we are tasked with rising above the many challenges that confront us and bring us to a more resilient, more sustainably developed and more responsive city.

Our battlecry in the recently concluded election, which is still our guiding principle as we lead the city to RISE in my first year in office, is KaubanTaUy. There is no appropriate English translation to the Visayan word "Kauban", the nearest to it is "companion", "comrade", and "partner". But these English translations do not really capture the essence and meaning, but just an approximation, of the beautiful Cebuano word Kauban.

Nevertheless, your theme for this year's Annual Stakeholders Meeting, which is "One Team, One Goal" is very appropriate. As our kauban, the Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI Plans) is our comrade, our partner and our companion in our journey to making Cagayan de Oro City RISE.

RISE stands for Regional Leadership (Metropolization, Accessibility and Connectivity); Institutional Development and Participatory Governance; Safety, Security and Human Development; and Economic Recovery.

CCLPI Plans not only give protection to the rich but most importantly to the common people, they whom we call in our beautiful tongue as yano and mayukmok, or in the language of the street, mga sinalikway sa kapalaran or mga sinikmahan sa palad – simple ordinary citizens who comprise the majority of our people. It is to them we owe our service.

Thus, I thank CCLPI Plans for leading the way in securing our simple ordinary people's immediate future. In this regard, we are indeed kauban!

As we try to establish a more consultative and participatory government, your City Government of Cagayan de Oro is fully in support of Cooperative Development as one of our pillars of RISE CDO.

I, myself, is a member of a cooperative here in our beloved city. I started in business with the help of a cooperative. Thus, coops are closed to my heart and family. And in our drive to make our city recover economically from the effects of the pandemic, we designed a three-pronged strategy for the cooperatives: (a) Improve support for the improvement of cooperatives, (b) Strengthen advisory role & participation of cooperatives, and (c) Encourage cooperative support for MSMEs / Cooperative-funded enterprises.

We strongly believe that cooperatives, especially social enterprises that emerged from the merging of cooperatives and established companies, as exemplified by CCLPI Plans, is City Hall's strong kauban in our RISE from the ashes of the pandemic.

Congratulations, CCLPI Plans!

Sa Pag-uswag, Kauban Ta Uy!

Message of Mayor Klarex for the 5th Annual Stakeholders Meeting of CCLPI Plans



CLIMBS President Message

My warmest commendation to Cosmopolitan Climbs Life Plan, Inc. (CCLPI) for celebrating its 5th Annual Stockholders Meeting.

After the years of significant challenges. I believe this year will be a year of hope and triumphs as we gradually emerge from an unprecedented fight that the pandemic has brought upon us. It has affected almost every facet of our lives since it threatened the socioeconomic status of the world.

But the pandemic also taught us the values of cooperation and resiliency, which allows us to demonstrate our strength in the industry. Through it, we managed to stand united against the adversities and challenges, to adapt to sudden changes in our lives and the community.

As one of CLIMBS' subsidiary, I believe CCLPI has become one of the pillars of hope for the Filipino people as it embodies the values of dedication and commitment to delivering quality services to its clients while building solid business grounds. Your drive and eagerness to serve the people are praiseworthy indeed.

As you celebrate this year's Annual Stockholders Meeting with the theme "One Team, One Goal," it is our hope; that your plans and goals will be accomplished and achieved, as it highlights your corporate identity on your commitment to excellence and service.

On behalf of CLIMBS Life and General Insurance Cooperative, congratulations! We look forward to more fruitful years together. Let us continue with our efforts to unfold better opportunities in the future.


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

CLIMBS President

Message



Chairman's Message

Dear fellow shareholder,

2021 was an exceptional year in exceptional times. We reached a new milestone, our 5th Anniversary, a celebration of unity, teamwork and perseverance despite challenging times. Our motto surely holds true- "One Team, One Goal".

But this achievement comes as our industry is at a crossroads. Expectations of Cosmopolitan Climbs Life Plan Inc. are changing substantially as our clients embrace new trends, habits and demand more efficient customer service. We see a reshaping of the competitive environment, however, although we are presented with challenges, there are also great opportunities ahead. We are responding by sharpening our focus and strengthening our efforts to create value in our products and more so our services.

One of the highlights to note for 2021, is our approval for additional pre-need contract price amounting 2 billion pesos of memorial Angelica life plan by the Insurance Commission. To aid us in our operations and marketing efforts, we have invested in competent consultants to lead us in conducting road mapping and strategic planning in hopes to deliver the sustainable, profitable growth you expect from us.

With the founding goal of Cosmopolitan Climbs to ensure protection through our pre-need funeral services to cooperatives, institutional markets as well as individuals from all sectors of the community, we continuously aim to achieve this with the help of all our shareholders. This is the moment to put in place measures to ensure Cosmopolitan Climbs Life Plan Inc. thrives in this new environment.

So, in this anniversary year, we made choices and investments that will shape the future and ensure our company's continuing success. With "One Team & One Goal" we can achieve it together.

With this, I would like to thank our employees, clients, benefactors, & stockholders for their hard work, alignment behind our strategy and dedication that enables us to deliver on our promises. Thank you for your continuing support, your confidence and above all for your trust.

Mr. Renato "Oly" Dychangco Jr.

Chairman

Cosmopolitan Climbs Life Plan Inc.



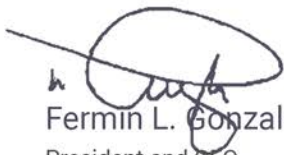
President & CEO Message

It is my great pleasure to offer a congratulatory message on behalf of the management team and all of us at Cosmopolitan CLIMBS Life Plan Inc. for the terrific work in achieving our common goal – overcome challenges and make 2021 a profitable year for the company.

We have made significant progress over the past year despite the continuing battle against the pandemic and are seeing encouraging signs of growth in our key markets. Our product and services are the preferred choice, and we continue to see positive momentum among our clientele. Despite the dismal macroeconomic conditions in the developing markets we serve, we are optimistic about the long-term growth prospects in these economies. We are focused on delivering long-term value to customers and shareholders alike through the delivery of financial targets, as well as meaningful cost efficiencies from our business operations.

I am confident that with the unrelenting efforts and dedication of our team together with the unwavering support of the stockholders, we will be able to continue our tradition of success and move even further ahead in the years to come.

As we move forward, we are enthused about the opportunities ahead, committed to working together as a team, and remain dedicated on our primary goal of creating value for all stakeholders.



Fermin L. Gonzales

President and CEO

Cosmopolitan CLIMBS Life Plan Inc.

President & CEO's
Message

Board of Directors & officers



⊕ Renato S. Dychangco Jr.
Chairman



⊕ Atty. Antonio Manuel A.
Alcantara
Vice-Chairperson



⊕ Eng. Ronald G. Chan
Director



⊕ Fr. Elmo P. Manching
Director



⊕ BGen. Fred M. Payawan
Director



⊕ Atty. Daniel O. Evangelio Jr.
Director



⊕ Ferdinand Matthew D.
Reyes
Director



⊕ Atty. Kerwin K. Tan
Director



⊕ Alvin Y. Tan Unjo
Director



⊕ Exequiel D. Robles
Director



⊕ Augustus J.V. Ferreria
Independent Director



⊕ Floriano R. Hilot
Assist. Treasurer/Independent
Director



⊕ Atty. Isidro Q. Lico
Corporate Board Secretary



⊕ Fermin L. Gonzales
President & CEO

Our Partners



Our Team



Executive

Fermin L. Gonzales
-President & CEO

Antonio R. Dosdos
-Vice-President for Sales & Marketing

Mansueto V. Dela Peña
-Chief Operations Officer(COO)

Severino B. Pedroza Jr.
-Chief Financial Officer(CFO)

Sales & Marketing

Head Office

Jubairah M. Sultan
-Training Officer

Gernie B. Magnanao
-Marketing Assistant

Diana L. Boborol
-Marketing Support Assistant

Luzon

Vida Marie V. Generao
-Area Marketing Manager

Ronaldo A. Esguerra
-Business Development Manager

Juan Antonio F. De Dios
-Marketing Coordinator

Wilson T. Bayangat
-Marketing Assistant

Visayas

Aljun R. Arpilleda
-Area Marketing Manager

Glenda B. Horstman
-Marketing Coordinator

Ivy Marie T. Bayno
-Marketing Assistant

Mindanao

Christine P. Olalo
-Area Marketing Manager

Salve Amor S. Sudario
-Marketing Coordinator

Maria Rowena G. Bañas
-Marketing Coordinator

Operations

Head Office

Revecita P. Salarda
-Operations Manager

HRAD Department
Jecthel P. Salac
-HRAD Manager

Jeanlou O. Apdian
-Admin Assistant

Vanessa B. Padla
- Admin Assistant/Exec. Secretary

Hervie Ivy O. Saquilayan
-HR Assistant

John Michael M. Ura-ura
-Driver/Utility

Ronald G. Tagarda
-Utility Messenger

Cyrus G. Guerrero
-Driver/Utility

Accounting Department
Junmar N. Verdejp, CPA
-Accountant

Grace A. Nalzar
-Bookkeeper

Leizel B. Babia
-Accounting Clerk

Finance Department

Dolly Jane B. Argabio
-Finance Officer

Eva M. Edpalina
-Billing & Collection

Katherine C. Misiona
-Cashier

Mylene T. Padillo
-Finance Clerk

Genevieve R. Tagaylo
-Finance Assistance

Claims Department

Shiela A. Balundo
-Claims Officer

Jazcyl M. Periodico
Insurance & Claims Assistant

Jed Francis V. Bullecer
Funeral Service Coordinator

IT Department

Romeo U. Odarve Jr.
-System Analyst/Developer

Gio A. Perez
-Junior IT Programmer

Alvin J. Damasco
-Web Admin/Layout Artist

Luzon

Reynalyn Reonico
-Data Encoder

Creshiela A. Lapasanda
-Admin Assistant

Visayas

Sheila Marie B. Vallejos
-Admin/Cashier

Mindanao

Abbegail B. Gatbunton
-Admin/Cashier

Charina D. Fernandez
-Admin Assistant

Minutes of the

4th Annual Stockholders Meeting

of Cosmopolitan CLIMBS Life Plan Inc. _____

*via Zoom held on September 22, 2021, at 4/F CLIMBS
Bldg., Tiano-Pacana Sts., Cagayan de Oro City*



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5 **ATTENDANCE**

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7 **Present:**

8 Mr. Renato "Oly" Dychangco Jr.	- Chairman
9 Atty. Antonio Manuel S. Alcantara	- Vice Chairman
10 Mr. Alvin Yap Tan Unjo	- Director
11 Mr. Augustus J.V. Ferreria	- Independent Director
12 Mr. Floriano R. Hilot	- Independent Director
13 BGen. Fred M. Payawan	- Director
14 Atty. Kerwin K. Tan	- Director
15 Atty. Daniel O. Evangelio, Jr.	- Director
16 Mr. Ferdinand Matthew D. Reyes	- Director
17 Mr. Exequiel D. Robles	- Director
18 Fr. Elmo Manching	- Director
19 Atty. Isidro Q. Lico	- Corporate Secretary
20 Mr. Fermin L. Gonzales	- Chief Executive Officer
21 Mr. Mansueto V. Dela Peña	- President and COO
22 Mr. Antonio Dosdos	- Vice President Sales & Marketing
23 Ms. Rosalina Bactol	- IC Consultant
24 Mr. Darwin Ivan Carrasco	- Actuarial
25 MGen. Gilbert S. Llanto	- ACDI BOD Chairman
26 Ms. Annalene Sarate	- ACDI Head CAD
27 Mr. Nicandro Pagaran	- BDMPC BOD Vice Chair
28 Ms. Claire Perges	- BDMPC Coop Funeral Div. Chief
29 Ms. Elizabeth Gabutin	- GCMPC BOD Chairman
30 Ms. Mea Karina Buen	- GCMPC Insurance Staff
31 Mr. Arvin N. Villena	- OCCCI CFO
32 Mr. Marianito B. Laurito	- OCCCI SDWO
33 Mr. Romulo G. Amarado	- PHCCI BOD Chairman
34 Mr. Cliffordson T. Lariosa	- PHCCI CEO
35 Mr. Rey R. Gauran	- SCC BOD Chairman
36 Ms. Maria Fe A. Pineda	- SCC CEO
37 Mr. Eduardo C. Amoguis	- TC Director
38 Ms. Marivic Madrio	- TCC General Manager

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40 **Also Present:**

41 Ms. Revecita P. Salarda	- Operations Manager
42 Ms. Jecthel P. Salac	- HRAD Manager
43 Mr. Junmar Verdejo	- Accountant
44 Mr. Romeo Odarve Jr.	- IT Manager
45 Mr. Alvin Damasco	- Web Admin
46 Ms. Vanessa B. Padla	- Admin Assistant
47 Ms. Gernie Magnanao	- Marketing Assistant
48 Ms. Christine P. Olalo	- Area Marketing Manager
49 Ms. Jubairah Sultan	- Training Officer

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53 **I. CALL TO ORDER**

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55 The meeting was opened with an invocation, followed by our CEO Fermin Gonzales's opening remarks and
56 welcome address. The management team introduced our keynote speakers inspirational messages were
57 delivered via pre-recorded video by our Guests of Honor, Insurance Commissioner, Attorney Dennis Fun, and
58 City Mayor Oscar Moreno. Pre-recorded videos of our Chairman Renato S. Dychangco Jr. were also presented.
59 Our management also acknowledged the cooperative sector's representation of our stockholders and
60 participants for the event. In addition to delivering good news to our shareholders for the fourth year in a row,
61 the management team prepared a celebration in honor of our Board of Directors and CEO, who celebrated their
62 birthdays this month. The first part of the program concluded with a final remark delivered by our Vice
63 Chairman Antonio Manuel S. Alcantara.

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65 Chairman Renato "Oly" Dychangco, Jr. called the meeting to order at 10:41 AM.

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68 **II. PROOF OF NOTICE AND DECLARATION OF QUORUM**

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Chairman Renato Dychangco Jr. requested the Board Secretary to proceed with the determination of a quorum. Corporate Board Secretary, Attorney Isidro Q. Lico, informed the assembly that all stockholders were notified. Based on the actual attendance provided by the secretariat, more than 80% of the stockholders were in attendance. The Chairman then announced that there is authority to conduct the business meeting based on achieving a quorum. Chairman Dychangco Jr. declared the meeting quorum with 80% of stockholders present.

III. APPROVAL OF AGENDA

- Chairman Dychangco Jr. presented the following agenda for the meeting:
- I. Call to Order / Preliminaries
 - II. Declaration of Quorum
 - III. Approval of Agenda
 - IV. Reading and Consideration of Previous minutes of stockholders meeting
 - V. Management Report
 - a. Financial Report (CEO Performance Report)
 - b. Approval of Audited Financial Statement 2020 (*AFS is found in our Annual Report page 23-74*)
 - c. Presentation of Financial Target and Budget 2021
 - VI. Election
 - VII. New Business
 - VIII. Other Matters
 - IX. Communications Received
 - X. Declaration of Official Result of Election
 - XI. Adjournment

Mr. Pagaran moved for the agenda approval and Vice Chairman Alcantara seconded his motion.

BOARD RESOLUTION NO. 01, SERIES OF 2021

On motion made by Mr. Nicandro Pagaran, and duly seconded by Judge Antonio Manuel S. Alcantara,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the agenda for the CCLPI meeting proposed by Chairman Renato S. Dychangco Jr.

Motion Carried.

IV. READING AND CONSIDERATION OF PREVIOUS MINUTES OF STOCKHOLDERS MEETING:

Vice-Chairman Alcantara's motion to approve the minutes of the previous stockholders meeting held last May 10, 2019, was seconded by BGen. Payawan.

BOARD RESOLUTION NO. 02, SERIES OF 2021

On motion made by Judge Antonio Manuel S. Alcantara, and duly seconded by BGen. Fred M. Payawan,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the previous stockholder's meeting minutes on May 10, 2019.

Motion Carried.

V. MANAGEMENT REPORT:
a. Financial Report (CEO Performance Report)

135 The Financial Report for December 31, 2020, was presented by CEO Fermin L. Gonzales.

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2020 AFS Financial Highlights		
Y.E December 31	2020 / % Inc. (Dec.)	2019 / % Inc. (Dec.)
Total Assets	196.4 M (13.5%)	173.1 M (11%)
Trust Fund	29.5 M (72.2%)	17.1 M (46.85%)
Preneed Reserves (LP)	27.2 M (119.2%)	12.4 M (119.2%)
Shareholders' Equity	150.5 M (3.3%)	145.6 M (253.4%)
Retained earnings (Deficit)	4.3 M (52.2%)	9.1 M (14.9%)
Revenue	60.8 M (24%)	49.1 M (122.7%)
Expenses	57.6 M (24.1%)	46.4 M (97%)
Total Comprehensive Income	3.2 M (45.9%)	2.2 M (185.6%)

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TOTAL ANGELICA LIFE PLAN POLICIES SOLD (JANUARY 1, 2018 - SEPTEMBER 13, 2021)	
Market Sharing	No. of Policies
DESA G. A	17.8 K
COSMOPOLITAN PRENEED	5.2 K
CCLPI PLANS DIRECT	2.4 K
CLIMBS NETWORK (CLIFSA)	1.2 K
Others: (MSCF, SUMMIT, SF CARES, SUNSHINE)	339
TOTAL	27.1 K

**TOTAL POLICIES SOLD
TOTAL PREMIUM GENERATED**

TOTAL ANGELICA LIFE PLAN PREMIUM RECEIVED (JANUARY 1, 2018 - SEPTEMBER 13, 2021)	
MARKET SHARING	TOTAL PREMIUM
COSMOPOLITAN PRENEED	102.4 M
CCLPI PLANS DIRECT	38.1 M
DESA G. A	36.8 M
CLIMBS NETWORK (CLIFSA)	16.1 M
Others: (MSCF, SUMMIT, SF CARES, SUNSHINE)	4.2 M
TOTAL	197.7 M

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TOTAL PREMIUM GENERATED: (BREAKDOWN PER YEAR)

TOTAL ANGELICA L.P PREM. RCVD (JANUARY 1, 2018 - SEPTEMBER 13, 2021)				
MARKET SHARING	2018	2019	2020	TOTAL
COSMOPOLITAN PRENEED	7.6 M	26.3 M	36.03 M	102.4 M
CCLPI PLANS DIRECT	9.9 M	11.6 M	7.8 M	38.1 M
DESA G. A	430.3 K	2.5 M	6.5 M	36.8 M
CLIMBS NETWORK (CLIFSA)	1.4 M	3.1 M	5.8 M	16.1 M
Others: (MSCF, SUMMIT, SF CARES, SUNSHINE)	227.1 K	843.3 K	1.3 M	4.2 M
TOTAL	197.7 M	44.5 M	57.6 M	197.7 M

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GENERAL AGENCIES WORKING FOR CCLPI PLANS

TOTAL NO. OF SALESFORCE (JANUARY 1, 2018 - SEPTEMBER 13, 2021)		
MARKET SHARING	NO. OF AGENCY	NO. OF SC
COSMOPOLITAN PRENEED	10	1,265
CCLPI PLANS DIRECT SALES	25	737
CLIMBS NETWORK (CLIFSA)	15	228
DESA G.A	7	177
Others: (MSCF, SUMMIT, SF CARES, SUNSHINE)	9	88
TOTAL	66	2,495

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TOTAL PREMIUM GENERATED PER SECTOR

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TOTAL ANGELICA L.P PREM. RCVD (JANUARY 1, 2018 - SEPTEMBER 13, 2021)	
MARKET SHARING	TOTAL PREMIUM
PRIVATE / INDIVIDUAL	160.2 M
COOP'S	37.5 M
TOTAL	197.7 M

Proposed Recommendations to improve sales in 2022 – 2027:

1. Creation of New Products

- Akhirah Life Plan -for our Muslim Citizens in the country. (It is now with IC for evaluation and issuance of CA)

2. Additional Sales Personnel

- To hire a person who has influences the cooperatives and individuals/ private sectors.
- To take charge and focus on cooperatives and individuals/ private sectors.

3. Kingpin Approach for the Cooperatives

- To engage the cooperatives to organize their Coop Sales Agency to help market Angelica Life Plan.
- To engage Coop Kingpin (person with influence) to help promote Angelica Life Plan that will support the idea of unification, a collaboration between the private, coop, MFI's sectors.

4. Encourage Existing Service Providers to Act as Sales Agency

Mr. Pagaran moved for the approval of CEO Gonzales' Financial Report and duly seconded by Director Tan Unjo that the CEO's report be approved.

BOARD RESOLUTION NO. 03, SERIES OF 2021

On motion made by BDMPC Vice-Chair Nicandro Pagaran and duly seconded by Director Alvin Yap Tan Unjo,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the Financial Report of CEO Fermin L. Gonzales for the year ended December 31, 2020.

Motion Carried.

Director Evangelio moved to approve the minutes of the previous meeting, seconded by Vice-Chairman Alcantara, that the minutes of the previous meeting held on May 27, 2020, be approved.

BOARD RESOLUTION NO. 04, SERIES OF 2021

On motion made by Director Daniel O. Evangelio Jr., and duly seconded by Director Antonio Manuel S. Alcantara,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the Minutes of the previous CCLPI Regular Board Meeting held on May 27, 2020.

Motion Carried.

b. Approval of Audited Financial Statement 2020 (AFS is found in our Annual Report page 23-74)

Mr. Pagaran moved for approval and was duly seconded by BGen. Fred M. Payawan that the Audited Financial Statement for the year 2020 is approved.

BOARD RESOLUTION NO. 05, SERIES OF 2021

On motion made by BDMPC Vice Chair Nicandro Pagaran, and duly seconded by BGen. Fred M. Payawan,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the CCLPI Audited Financial Statement for the year 2020.

Motion Carried.

244 c. Confirmation and Approval of 2021 Operational Budget:

245 Director Alcantara moved for the approval of the 2021 Operational Budget, seconded by Director Tan Unjo.

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BOARD RESOLUTION NO. 06, SERIES OF 2021

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On motion made by Vice Chairman Antonio Manuel S. Alcantara and duly seconded by Director Alvin Yap Tan Unjo,

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RESOLVED, AS IT IS HEREBY RESOLVED, to approve the CCLPI Operational Budget for the year 2021.

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Motion Carried.

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VI. ELECTIONS OF BOARD OF DIRECTORS:

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CEO Gonzales recommended that we maintain the status quo, since the company is still in a precarious position as a result of the epidemic. He also said that it would be prudent to maintain the status quo to maintain a positive and harmonious relationship with the current partners and to implement some adjustments to the CCLPI beginning in 2022 or until the situation returns to normal.

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Ms. Gabutin agreed to CEO Gonzales' recommendation that the status quo be maintained.

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As CEO Gonzales previously expressed, Director Tan Unjo shared a similar view about the need to preserve the status quo considering the present pandemic.

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Chairman Dychangco Jr. moved to accept CEO Gonzales' request for the status quo, and Ms. Gabutin supported his proposal.

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BOARD RESOLUTION NO. 07, SERIES OF 2021

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On motion made by Chairman Renato Dychangco and duly seconded by Guadalupe MPC Chairperson Elizabeth Gabutin,

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RESOLVED, AS IT IS HEREBY RESOLVED, to approve the proposal of CEO Fermin Gonzales to maintain the status quo in the current structure of CCLPI.

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Motion Carried.

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Mr. Amarado expressed no objections to the status quo, but he wanted to ensure that the decision he supported was compliant with the law. CEO Gonzales confirms that CCLPI complies with applicable laws and remains compliant with the regulators.

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Furthermore, COO Dela Peña mentioned the company's by-laws citing Section 7 of Article 3: "***That any resolution approved by the shareholders shall require an approval of at least 80% of shareholders presence that all decisions passed by the stockholders are valid.***"

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Director Evangelio remarked that there has been no election failure since the General Assembly, each organization's highest governing body, authorized it. In his view, there was no violation of the by-laws.

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Mr. Amoguis believes there is nothing wrong with the board's holding capacity. He is more concerned that CCLPI must first seek approval from the regulators before presenting its proposal to the General Assembly.

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Judge Alcantara emphasized that this is not a holding capacity, but rather the shareholders' mandate and decision to re-elect as the status quo.

304 It was stated that the CDA did not issue a circular requiring the business to seek authorization, owing to the
305 fact that CCLPI is under the Corporate Code of the Philippines, which is governed by the SEC. If the
306 shareholders consent, stockholders meeting may be conducted and incorporate the terms into company bylaws.
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309 VII. NEW BUSINESS

310 *Appointment of the external auditors:*

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312 COO Dela Peña recommends retaining Quilab and Garsuta CPAs as CCLPI Plan's external auditors.
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315 Director Tan Unjo moved that the management's recommendation be accepted, and Ms. Gabutin seconded his
316 motion to retain Quilab & Garsuta CPAs as CCLPI's external auditor.
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BOARD RESOLUTION NO. 08, SERIES OF 2021

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VIII. OTHER MATTERS

Mr. Pagaran recommended and was accepted to add the names of the companies and their official representatives in the minutes of the CCLPI Plans' 4th Annual Stockholders Meeting. Ms. Gabutin seconded his proposal for acceptance.

BOARD RESOLUTION NO. 09, SERIES OF 2021

On motion made by BDMPC Vice-Chair Nicandro Pagaran and duly seconded by Guadalupe Chairperson Elizabeth Gabutin,

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the recommendation of Mr. Nicandro Pagaran to include the names of the corporation and its official representatives in the minutes of the 4th Annual Stockholders Meeting of CCLPI Plans.

Motion Carried.

Mr. Amarado informed the assembly that their cooperative is in the process of forming partnerships with both members and funeral parlor operators in their respective areas. They would be grateful if CCLPI dispatched representatives to empower them.

Chairman Dychangco assured Mr. Amarado that CCLPI will work with their community to choose a reputable and worthy mortuary to serve the plan holders in their region.

VP Dosdos mentioned that he was scheduled to visit the PHCCI in Dumaguete with the regional head, but the pandemic situation prevented them from going. Furthermore, he added that he planned to meet with them again soon to work on his accounts in the area.

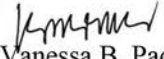
According to COO Dela Pena, CCLPI will negotiate with partners in the Dumaguete region in order to assist the Sales and Operations departments in identifying a well-regarded funeral parlor to service the plan holders.

IX. ADJOURNMENT

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With no other matters to discuss, the virtual Annual Stockholders Meeting of CCLPI Plans is adjourned at 12:47 PM.

Minutes taken by:


Vanessa B. Padla
Recording Secretary

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CERTIFICATION

This is to certify that the aforementioned minutes of the 4th Annual Stockholders Meeting of Cosmopolitan Climbs Life Plan Inc., via zoom, held on September 22, 2021, is true and correct.

Attested by:

Noted by:



ATTY. ISIDRO Q. LICO (SGD.)
Board Corporate Secretary



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

Memorial Service Benefit

309

Total Accredited Funeral service provider nationwide as of December 2021.

Statistics

MSB - 6
TLIC - N/A
TMSB - 270,000.00

2018

MSB - 48
TLIC - 460,000
TMSB - 2,310,000.00

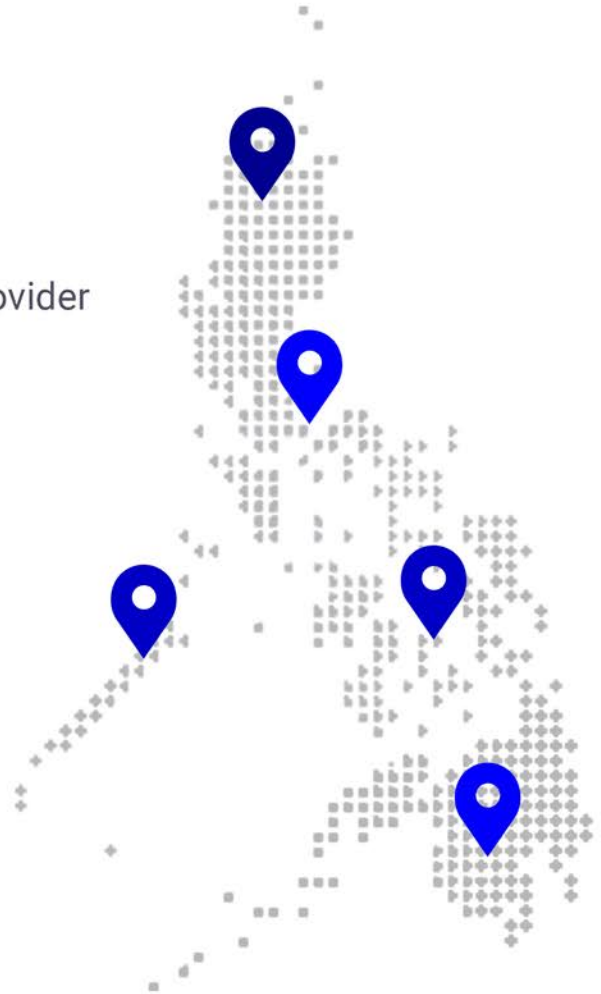
2020

MSB - 34
TLIC - 90,000
TMSB - 270,000.00

2019

MSB - 250
TLIC - 3,040,000
TMSB - 11,667,000.00

2021



- ⊕ MSB - Memorial Service Benefits
- ⊕ TLIC - Total Life Insurance Coverage
- ⊕ TMSB - Total Memorial Service Benefits

Financial Statements of
Cosmopolitan CLIMBS Life Plan, Inc.

December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 20, 2022, 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

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, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of Cosmopolitan CLIMBS Life Plan, Inc. as of December 31, 2021 and 2020, 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. 5222006 A
 January 3, 2022
 Cagayan de Oro City

April 20, 2022
 Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱74,087,297	₱72,383,652
Trade and other receivables (Note 5)	1,656,633	1,399,952
Prepaid expenses (Note 6)	3,219,278	1,274,996
Total Current Assets	78,963,208	75,058,600
Non-Current Assets		
Property and equipment – net (Note 7)	6,304,463	6,597,345
Investments in financial instruments (Note 8)	84,624,112	82,053,187
Investment in Trust Fund – Life Plan (Note 9)	65,544,305	29,546,203
Insurance Premium Fund (Note 10)	4,367,530	2,221,596
Other assets (Note 11)	836,066	925,870
Total Non-Current Assets	161,676,476	121,344,201
	₱240,639,684	₱196,402,801
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	₱17,517,248	₱9,752,581
Deposits for future subscriptions (Note 15)	7,000,000	7,000,000
Lease liability (Note 7)	33,333	398,413
Total Current Liabilities	24,550,581	17,150,994
Non-Current Liabilities		
Aggregate reserves for risks (Note 13)	55,234,324	28,704,401
Retirement benefit obligation (Note 14)	1,511,772	–
Lease liability (Note 7)	–	33,332
Total Non-Current Liabilities	56,746,096	28,737,733
Total Liabilities	81,296,677	45,888,727
Shareholders' Equity		
Share capital (Note 15)	156,050,000	156,050,000
Revaluation reserves on FVTOCI investments (Note 9)	(212,683)	1,969,032
Net earnings of Trust Fund – Life Plan (Note 16)	2,480,703	837,678
Retained earnings (Note 15)	1,024,987	(8,342,636)
Total Shareholders' Equity	159,343,007	150,514,074
	₱240,639,684	₱196,402,801

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>	2021	2020
REVENUE		
Premiums <i>(Note 17)</i>	₱113,052,633	₱53,646,642
Investment income <i>(Note 18)</i>	5,422,006	5,937,901
Trust fund income <i>(Note 9)</i>	2,053,781	137,173
Miscellaneous	2,090,436	1,163,423
Total Revenue	122,618,856	60,885,139
COSTS AND EXPENSES		
Cost of contracts issued:		
Collection costs (commissions) <i>(Note 17)</i>	39,147,894	17,538,001
Increase in aggregate reserves for risks <i>(Note 13)</i>	26,529,924	15,557,932
Plan benefits <i>(Note 13)</i>	11,265,794	2,879,175
Other direct costs and expenses <i>(Note 19)</i>	3,859,794	1,928,887
Total Costs of contracts issued	80,803,406	37,903,995
Salaries, wages and employees' benefits <i>(Note 20)</i>	17,185,123	12,526,782
General and administrative <i>(Note 21)</i>	10,065,868	5,722,796
Depreciation and amortization <i>(Notes 7 and 11)</i>	2,058,655	1,528,725
Total Costs and Expenses	110,113,052	57,682,298
PROFIT BEFORE INCOME TAX EXPENSE	12,505,804	3,202,841
INCOME TAX EXPENSE <i>(Note 22)</i>		
Current	(1,506,958)	(1,215,015)
Deferred	11,802	–
Net	(1,495,156)	(1,215,015)
PROFIT FOR THE YEAR <i>(Notes 15 and 23)</i>	11,010,648	1,987,826
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>	(2,181,715)	1,280,103
TOTAL COMPREHENSIVE INCOME	₱8,828,933	₱3,267,929

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2021	2020
SHARE CAPITAL (Note 15)		
Ordinary (Common) Shares		
Opening balances	₱136,250,000	₱134,687,500
Additional subscriptions received during the year	–	1,562,500
Closing balances	136,250,000	136,250,000
Preference Shares		
Total Share Capital	19,800,000	19,800,000
	156,050,000	156,050,000
REVALUATION RESERVE ON FVTOCI INVESTMENTS		
Opening balances, as originally stated	1,969,032	713,882
To reclassify balances to retained earnings (Note 16)	–	(24,953)
Opening balances, as restated	1,969,032	688,929
Other comprehensive income for the year (Note 9)	(2,181,715)	1,280,103
Closing balances	(212,683)	1,969,032
RETAINED EARNINGS OF TRUST FUND – LIFE PLAN (Note 15)		
Opening balances, as originally stated	837,678	(413,605)
To reclassify balances to retained earnings (Note 16)	–	1,141,545
Opening balances, as restated	837,678	727,940
Income from investments in trust fund (Note 16)	1,643,025	109,738
Closing balances	2,480,703	837,678
RETAINED EARNINGS – UNAPPROPRIATED		
Opening balances, as originally stated	(8,342,636)	(9,104,132)
Reclassification of balance from revaluation reserve (Note 16)	–	24,953
Reclassification from Retained Earnings of Trust fund – Life Plan (Note 16)	–	(1,141,545)
Opening balances, as restated	(8,342,636)	(10,220,724)
Profit for the year	9,367,623	1,878,088
Closing balances	1,024,987	(8,342,636)
	₱159,343,007	₱150,514,074

See Notes to Financial Statements.

<i>December 31, 2020</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Service vehicles	₱5,154,775	₱–	₱–	₱5,154,775
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
Right-of-use asset	1,172,558	–	–	1,172,558
Total cost	9,469,169	566,677	–	10,035,846
Less accumulated depreciation	2,011,500	1,427,001	–	3,438,501
Net Book Value	₱7,457,669	(₱860,324)	₱–	₱6,597,345

Components of Right-of-Use Assets – Net

<i>December 31,</i>	2021	2020
Right-of-use asset	₱1,172,558	₱1,172,558
Less accumulated depreciation	1,140,867	760,578
Net	₱31,691	₱411,980

Accounting of the Movement of Right-of-Use Assets

<i>December 31, 2021</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Right-of-use asset	₱1,172,558	₱–	₱–	₱1,172,558
Less accumulated depreciation	760,578	380,289	–	1,140,867
Net Book Value	₱411,980	(₱380,289)	₱–	₱31,691

December 31, 2020

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

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 ₱21,587 in 2021 and ₱40,599 in 2020.

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 2021 and 2020. Total lease payments (including interest) amounted ₱420,000 both in 2021 and 2020.

Details of Lease Liability

<i>December 31,</i>	2021	2020
Current (portion due for the next 12 months)	₱33,333	₱379,440
Non-current (portion due in excess of 12 months, until February 2, 2022)	–	431,746
Total Lease Liability	₱33,333	₱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

STATEMENTS OF CASH FLOWS

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,

2021

2020

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before income tax expense	₱12,505,804	₱3,202,841
Add (deduct) adjustments:		
Depreciation and amortization (Notes 7 and 11)	1,678,366	1,148,436
Depreciation of right-of-use assets (Note 7)	380,289	380,289
Increase in actuarial reserve liabilities (Note 13)	26,529,923	15,557,932
Provision for impairment on trade and other receivables (Note 5)	17,129	12,581
Interest expense on lease liability (Note 7)	21,587	40,559
Provision for retirement benefits (Note 14)	1,511,772	–
Investments and trust fund income (Notes 9 and 17)	(3,368,225)	(5,800,728)
Net cash provided from operations	39,276,645	14,541,910
Changes in working capital, excluding cash and cash equivalents:		
Decrease (increase) in trade and other receivables (Note 5)	(273,810)	290,293
Increase in prepaid expenses (Note 6)	(1,944,282)	(116,944)
Increase in trade and other payables (Note 12)	7,764,668	3,302,182
Net cash generated from operations	44,823,221	18,017,441
Income taxes paid (Note 22)	(1,506,958)	(1,215,015)
Net Cash Provided from Operating Activities	43,316,263	16,802,426

CASH FLOWS FOR INVESTING ACTIVITIES

Increase in investments in financial instruments (Note 8)	(2,570,925)	(16,596,318)
Increase in investment in Trust Fund – Life Plan (Note 9)	(38,179,816)	(11,109,738)
Additions to Insurance Premium Fund (Note 10)	(2,145,934)	(1,271,596)
Investments and trust fund income (Notes 9 and 17)	3,368,225	5,800,728
Acquisition of property and equipment (Note 7)	(1,617,961)	(566,677)
Increase in other non-current assets (Note 11)	(46,207)	(476,167)
Net Cash Used for Investing Activities	(41,192,618)	(24,219,768)

CASH FLOW FROM FINANCING ACTIVITIES

Payment of lease principal and interest (Note 7)	(420,000)	(420,000)
Payments received from capital stock subscriptions (Note 15)	–	1,562,500
Net Cash (Used for) Provided from Financing Activities	(420,000)	1,142,500

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 1,703,645 (6,274,842)

OPENING CASH AND CASH EQUIVALENTS 72,383,652 78,658,494

CLOSING CASH AND CASH EQUIVALENTS (Note 4) ₱74,087,297 ₱72,383,652

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Cosmopolitan CLIMBS Life Plan, Inc.

As of and for the Years Ended December 31, 2021 and 2020

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 grassroots 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.

Statements of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC.

PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA) and adopted by Securities and Exchange Commission (SEC).

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.

New and Amended IFRS Standards that are Effective for the Current Year

The following Standards were developed and issued by the International Accounting Standards Board (IASB), an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs). The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC).

These standards were reviewed by the Philippine Financial Reporting Standards Council (FRSC) which was established under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the Board of Accountancy (BOA) in carrying out its power and function to promulgate accounting standards in the Philippines. The FRSC's main function is to establish generally accepted accounting principles in the Philippines through its review and adoption of the Standards issued by the IASB. The FRSC formed the PIC in August 2006 to assist the FRSC in establishing and improving financial reporting standards in the Philippines. The role of the PIC is principally to issue implementation guidance on PFRSs which are then forwarded to the FRSC and BOA/PRC for approval before issuance to the public as final guidance.

The Securities and Exchange Commission (SEC) has the authority to prescribe the financial reporting framework to be used by corporations in the Philippines. These general financial reporting requirements are set out in Rule 68 of the Securities Regulation Code (SRC). The Bangko Sentral ng Pilipinas (BSP) and the Insurance Commission (IC) are the primary regulators of banking institutions and insurance companies, respectively, which issue rules and guidelines that include financial reporting matters.

The following new and amended IFRS Standards have been reviewed and/or adopted in the Philippines by the FRSC for the BOA/PRC.

Impact of the Initial Application of Interest Rate Benchmark Reform

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the prior year, the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to PFRS 9/PAS 39 and PFRS 7 were implemented. In the current year, the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 were also implemented. By adopting these amendments an entity will be able to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are not relevant to the Company as it has no hedge instruments.

Impact of the Initial Application of COVID-19-Related Rent Concessions Beyond 30 June 2021 — Amendment to PFRS 16

In the prior year, the Company adopted Covid-19-Related Rent Concessions (Amendment to PFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022. This Amendment was adopted by the FRSC for the (BOA/PRC) on April 14, 2021 and made effective beginning April 1, 2021.

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 applying IFRS 16 as 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:

- 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
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

The Company has applied the amendment to PFRS 16 since 2019. The impact however on this Amendment was nil as the Company did not receive any rent concessions in 2021.

New and Revised IFRS 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 FRSC:

PFRS 17 (including the June 2020 Amendments)	Insurance Contracts
Amendments to PFRS 10 and PAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to PAS 1	Classification of Liabilities as Current or Non-current
Amendments to PFRS 3	Reference to the Conceptual Framework
Amendments to PAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to PAS 37 Annual Improvements to PFRS	Onerous Contracts—Cost of Fulfilling a Contract Amendments to PFRS 1 First-time Adoption of International Standards 2018-2020 Cycle Financial Reporting Standards, PFRS 9 Financial Instruments, PFRS 16 Leases, and PAS 41 Agriculture
Amendments to PAS 1 and PFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to PAS 8	Definition of Accounting Estimates
Amendments to PAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company's 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 Board 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 Board 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.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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's management is currently assessing the impact of this new standard on its financial statements. The Company however anticipates no impact on PFRS 17 in its 2021 financial statements.

Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS 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 Board; however, earlier application of the amendments is permitted.

The Company's Board of Directors 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 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to PAS 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 were adopted by the FRSC on February 12, 2020 and August 19, 2020 and are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to PFRS 3 Business Combinations—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 37, an acquirer applies PAS 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 were adopted by the FRSC ON August 19, 2020 and 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 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 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 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 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 beginning of that earliest period presented.

The amendments were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to PAS 37 Provisions, Contingent Liabilities and Contingent Assets—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 were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to PFRS Standards 2018-2020

The Annual Improvements include amendments to four Standards, which were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted. These are as follows:

PFRS 1 First-time Adoption of International 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).

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.

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 41 Agriculture

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 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.

Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in PFRS Practice Statement 2.

The amendments to PAS 1 were adopted by the FRSC on April 14, 2021 and are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The

amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing PAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments were adopted by the FRSC on April 14, 2021 and are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease. Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- 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 that date

The amendments were adopted by the FRSC on June 9, 2021 and are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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.

Significant Accounting Policies

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.

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 18). 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.

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 18) in profit or loss.

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

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

The Company does not have financial liabilities measured at FVPL.

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.

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.

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.

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.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Retained Earnings

Retained earnings include all current results of operations as disclosed in the statement of changes in equity and are reduced by the dividends on capital stock. Retained earnings may also include the effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved by the shareholders prior to the reporting date.

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 as follows:

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

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 at the beginning of 2019.

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

Leases – The Company as Lessee

The Company's leases substantially involve the use of office spaces that are used for its Head Office and

regional 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 rate of its investments in financial instruments.

The incremental borrowing rate depends on the term and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

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 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.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

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>	2021	2020
Cash on hand and revolving funds	₱190,000	₱165,000
Cash in banks	78,264,827	34,333,928
Short-term placements in banks	–	40,106,320
Total	78,454,827	74,605,248
Designated for Insurance Premium Fund (Note 10)	4,367,530	2,221,596
	₱74,087,297	₱72,383,652

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. During 2021, the Company transferred its short-term placements to its investments in trust fund. (See Note 9.)

Interest income earned from cash in banks and short-term placements (gross) amounted ₱2,690,680 in 2021 and ₱665,850 in 2020. (See Note 18.)

Note 5
Trade and Other Receivables

This consists of the following:

<i>December 31,</i>	2021	2020
Advances to officers and employees, subject to liquidation procedures	₱1,002,440	₱732,615
Accounts receivable – others	481,705	525,529
Accrued interest receivables	228,727	180,918
Total	1,712,872	1,439,062
Less allowance for expected credit losses (ECL)	56,239	39,110
Net	₱1,656,633	₱1,399,952

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>	2021	2020
Opening balances	₱39,110	₱26,529
Provision for ECL for the year charged to operations	17,129	12,581
Closing balances	₱56,239	₱39,110

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>	2021	2020
Deferred filing fees with the Insurance Commission (IC)	₱2,740,732	₱879,615
Prepayments	145,938	200,000
Unused office and marketing supplies	332,608	195,381
	₱3,219,278	₱1,274,996

The deferred filing fees with the IC represent the .01% filing fee of the ₱1 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 ₱116,677 in 2021 and ₱55,621 in 2020. (See Note 19.)

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>	2021	2020
Service vehicles	₱5,204,633	₱5,154,775
Office furniture, fixtures and equipment	3,216,433	2,384,443
IT equipment	1,301,477	930,356
Leasehold improvements	410,058	393,714
Right-of-use asset	1,172,558	1,172,558
Total	11,305,159	10,035,846
Less accumulated depreciation	5,000,696	3,438,501
Net	₱6,304,463	₱6,597,345

Reconciliation of the Accounts

<i>December 31, 2021</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Service vehicles	₱5,154,775	₱820,536	₱770,678	₱5,204,633
Office furn., fixtures and equipment	2,384,443	831,990	–	3,216,433
IT equipment	930,356	371,121	–	1,301,477
Leasehold improvements	393,714	16,344	–	410,058
Right-of-use asset	1,172,558	–	–	1,172,558
Total cost	10,035,846	2,039,991	770,678	11,305,159
Less accumulated depreciation	3,438,501	1,910,842	348,647	5,000,696
Net Book Value	₱6,597,345	₱129,149	₱422,031	₱6,304,463

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>	2021	2020
Investment in externally managed funds	₱59,624,112	₱57,508,740
Investments in corporate bonds	25,000,000	24,544,447
	₱84,624,112	₱82,053,187

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 ₱50 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>	2021	2020
<u>Assets</u>		
Cash in bank	₱56,074	₱369
Investment in UITF	–	458,743
Investment in debt securities	59,395,299	56,795,562
Other receivables	403,576	407,866
Total Assets	59,854,949	57,662,540
<u>Liabilities</u>		
Trust fees payable	150,122	72,227
Accrued expenses	80,715	81,573
Total Liabilities	230,837	153,800
<u>Net Assets</u>	₱59,624,112	₱57,508,740

Net Assets Accounted as Follows:

Trust fund principal	₱57,508,740	₱50,456,869
Additional contribution	–	5,000,000
Realized gain on sale of financial assets (net of final taxes)	2,115,372	2,051,871
	₱59,624,112	₱57,508,740

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, amounting ₱2,294,539 in 2021 and ₱4,660,769 in 2020. (See Note 18.)

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:

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
Metropolitan Bank & Trust Company (Metrobank)	₱10,000,000	₱10,000,000
BDO Unibank, Inc. (BDO)	5,000,000	5,000,000
Rizal Commercial Banking Corporation (RCBC)	-	6,514,751
Bank of the Philippine Islands (BPI)	-	3,029,696
	₱15,000,000	₱24,544,447

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 ₱436,787 in 2021 and ₱611,282 in 2020. Net of taxes, the investments income amounted ₱489,026 in 2021 and ₱489,026 in 2020. (See Note 18.)

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>	2021	2020
Opening balances	₱39,890,348	₱21,809,616
Contributions during the year <i>(Note 17)</i>	44,016,051	20,959,907
Plan benefit expenses incurred during the year <i>(Note 14)</i>	(11,265,794)	(2,879,175)
Closing balances	₱72,640,605	₱39,890,348

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>	2021	2020
Trust Fund Contributions (net) (see table above)	₱72,640,605	₱39,890,348
Amount of Investment in Trust Fund (see table in the following page)	(65,544,304)	(29,546,203)
Excess of Contributions Over Invested Trust Fund	₱7,096,301	₱10,344,145

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)

<u>December 31,</u>	2021	2020
<u>Assets</u>		
Cash in bank	₱10,502,908	₱3,753,927
Investment in quoted equity securities	15,485,114	4,883,751
Investment in Government securities	39,117,738	20,658,515
Other receivables	511,684	280,357
Total	65,617,444	29,576,550
<u>Liabilities</u>		
Trust fees payable	73,011	30,306
Accrued expenses	129	41
Total	73,140	30,347
<u>Net Assets</u>	₱65,544,304	₱29,546,203
<u>Net Assets Accounted as Follows:</u>		
Trust fund principal	₱29,546,203	₱17,156,362
Additional contributions	51,366,792	11,000,000
Withdrawals	(14,830,000)	–
Realized gain on sale of financial assets (net of final taxes)	1,643,024	109,738
Unrealized gain on FVOCI	(2,181,715)	1,280,103
₱65,544,304	₱65,544,304	₱29,546,203

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, at ₱2,053,781 in 2021 and ₱137,173 in 2020.

The fair value gain on investments amounting (₱2,181,715) in 2021 and ₱1,280,103 in 2020 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

<u>December 31,</u>	2021	2020
Net assets of Trust Fund – Life Plan	₱65,544,304	₱29,546,203
PNR and plan benefits payable (actuarially computed) (Note 13)	(55,234,324)	(28,704,401)
Trust Fund Surplus	₱10,309,980	₱841,802

Note 10

Insurance Premium Fund

This represents the bank deposits in Land Bank of the Philippines (LBP), amounting ₱4,367,530 in 2021 and ₱2,221,596 in 2020. (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>	2021	2020
Computer software, at cost	₱923,824	₱923,824
Less accumulated amortization	(385,266)	(237,454)
Net	538,558	686,370
Security deposits <i>(Note 23)</i>	285,707	239,500
Deferred tax asset – MCIT <i>(Note 22)</i>	11,802	–
	₱836,067	₱925,870

The cost of computer software is amortized over a period of 5 years, beginning 2017. Amortization costs charged to operations amounted ₱147,812 in 2021 and ₱101,724 in 2020.

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>	2021	2020
Accrued expenses	₱9,749,342	₱4,924,849
Cash bond payable	2,700,192	1,051,077
Planholders' deposits (unearned premiums)	2,168,142	1,227,165
Unremitted contributions to Government agencies	1,506,939	1,004,355
Accounts payable to a major stockholder <i>(Note 23)</i>	1,380,833	1,545,135
Income tax payable <i>(Note 22)</i>	11,802	–
	₱17,517,250	₱9,752,581

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

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 23.)

Note 13

Aggregate Reserves for Risks

This consists of the actuarial reserve liabilities of the following:

<i>December 31,</i>	2021	2020
Pre-need reserves (PNR) for life plans	₱52,675,698	₱27,217,290
Insurance premium reserves (IPR)	2,558,626	1,487,111
	₱55,234,324	₱28,704,401

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, 2021, the Company has a total of 1,124 fully paid plans, amounting ₱49.5 million and a total of 17,322 plans on installments, totaling ₱501.3 million. Plan benefits paid amounted ₱11,265,794 in 2021 and ₱2,879,175 in 2020. Plan benefits remained unpaid amounted ₱1,088,000 in 2021 and ₱180,000 in 2020.

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, 2021</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
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
Provisions during 2021	25,458,408	1,071,515	26,529,923
Balances as of December 31, 2021	₱52,675,698	₱2,558,626	₱55,234,324

Note 14

Retirement Benefit Obligation

During 2021, the fourth year of operations, the Corporation provided ₱1,511,772 to cover for its retirement benefit obligations. The Corporation intends to obtain the services of an actuary in 2022 to compute for the valuation on this obligation.

Note 15
Share Capital

The Company's share capital consists of the following:

<i>December 31,</i>	2021	2020
<u>Ordinary (Common) Shares</u>		
Authorized – 150 million shares, ₱1.00 par value		
Issued and outstanding: 136,250,000 shares in 2021; 136,250,000 in 2020	₱136,250,000	₱136,250,000
<u>Preference Shares</u>		
Authorized – 200 thousand shares, ₱100.00 par value		
Issued and outstanding: 198,000 shares in 2021 and 198,000 in 2020	19,800,000	19,800,000
Total Share Capital	₱156,050,000	₱156,050,000

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 initiated actions to increase its authorized capital. In the meantime, additional investments from shareholders were accepted as deposits, totaling ₱7 million (net of withdrawals) at the end of 2021 and 2020. 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.

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* and in the Insurance Commission Circular Letter 2019-50, 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 2021 and 2020. The Company also has authorized preference shares of ₱20 million of which ₱19.8 million have been fully paid at the end of 2021 and 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 at the end of 2021 and 2020, clearly surpassing the required minimum capitalization of a pre-need company.

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.

Disclosures Required Under Revised SRC Rule 68 (2019 Version)

As at December 31, 2021, the Company has six (6) shareholders owning 100 or more ordinary (common) and preference shares each.

Note 16

Profit of Trust Fund – Life Plan

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

<i>Years Ended December 31,</i>	2021	2020
Income from investment of trust fund (Note 9)	₱2,053,781	₱137,173
Final taxes on investment income (Note 8)	(410,756)	(27,435)
Profit for the year	₱1,643,025	₱109,738

Restatement of the Beginning Balance of Retained Earnings (Deficit) of 2020

The beginning balance of the 2020 retained earnings (deficit) has been restated to correct the allocation of balances among the different equity accounts. The reclassification has not changed the overall equity balances, and has not affected the assets and liabilities balance of 2020, as explained in the following table:

<i>Year Ended December 31, 2020</i>	<i>As Originally Stated</i>	<i>Reclassifications</i>	<i>As Restated</i>
Revaluation reserve on FVTOCI investments	₱713,882	(₱24,953)	₱688,929
Retained earnings of Trust Fund – Life Plan	(413,605)	1,141,545	727,940
Retained earnings – unappropriated	(9,104,132)	(1,116,592)	(10,220,724)
	(₱8,803,855)	₱–	(₱8,803,855)

Note 17

Details of Premium Revenue

<i>Years Ended December 31,</i>	2021	2020
Realized gross premium income	₱72,661,018	₱35,199,593
Amortization	6,287,132	2,582,569
Discount on spot cash	(1,735,000)	(1,082,000)
Net	77,213,150	36,700,162
Allocation for trust fund contributions	44,016,051	20,959,907
Total Receipts	121,229,201	57,660,069
Value-added taxes	(8,176,568)	(4,013,427)
Net Premium Revenue	₱113,052,633	₱53,646,642

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 ₱39,147,894 in 2021 and ₱17,538,001 in 2020. (See Note 19.)

Note 18

Details of Investments Income

<i>Years Ended December 31,</i>	2021	2020
Interest income from cash and cash equivalents (Note 4)	₱2,690,680	₱665,850
Interest income from investment in corporate bonds (Note 8)	436,787	611,282
Income from externally managed funds (Note 8)	2,294,539	4,660,769
	₱5,422,006	₱5,937,901

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 22.)

Note 19

Details of Other Direct Costs and Expenses

<i>Years Ended December 31,</i>	2021	2020
Insurance	P3,135,400	P1,362,939
Royalty fees	607,717	510,327
Licensing fees amortized on plans issued (Note 6)	116,677	55,621
	P3,859,794	P1,928,887

Note 20

Details of Salaries, Wages and Employees' Benefits

<i>Years Ended December 31,</i>	2021	2020
Salaries and wages	P9,877,009	P8,227,958
Employees' benefits	3,755,786	2,697,658
Honoraria	2,040,556	1,601,166
Retirement benefit contributions (Note 14)	1,511,772	-
	P17,185,123	P12,526,782

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 21

Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	2021	2020
Office supplies	P2,060,508	P372,706
Meetings and conferences	1,678,269	262,410
Promotions and marketing	1,098,104	1,692,167
Rent (Note 7)	1,033,528	691,753
Travel and transportation	855,231	417,043
Communications	784,905	498,172
Taxes, licenses and fees (Note 29)	764,716	604,515
Professional fees	474,455	407,479
Dues and subscriptions	350,813	238,838
Repairs and maintenance	230,705	210,112
Insurance	197,839	1,144
Light and water	164,397	128,849
Interest on lease liability (Note 7)	21,587	40,559
Provision for ECL on trade and other receivables (Note 5)	17,129	12,581
Miscellaneous	333,682	144,468
	P10,065,868	P5,722,796

Note 22

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>	2021	2020
Normal Income Tax or MCIT whichever is higher (See table below.)	P–	P–
Minimum Corporate Income Tax (MCIT)	11,802	NA
Final taxes on investments income (Note 18)	1,084,400	1,187,580
Final taxes on trust fund income (Note 16)	410,756	27,435
Income Tax Expense – Current	P1,506,958	P1,215,015

Reconciliation of Pretax Income

<i>Years Ended December 31,</i>	2021*	2020*
Tax at statutory rate	P3,126,451	P546,652
Additions (deductions) resulting from:		
Depreciation of right-of-use asset (Note 7)	95,072	104,579
Interest expense on lease liability (Note 7)	5,397	11,154
Rent expense (Note 7)	(105,000)	(115,500)
Increase in provision for ECL (Note 5)	4,282	3,460
Investment income (Note 18)	(1,868,946)	(1,336,516)
Provision for retirement benefits (Note 14)	377,943	–
Effect of application of NOLCO	(1,635,199)	–
Change in unrecognized deferred tax assets	–	786,171
Income Tax Payable	P–	P–

*Using the average rate of 25% for 2021 and 27.5% for 2020 under CREATE Act.

Minimum Corporate Income Tax (MCIT)

<i>Years Ended December 31,</i>	2021	2020
Gross Revenue	P115,143,069	NA
Cost of Services	(113,962,884)	NA
Total Gross Profit	1,180,185	NA
Tax rate	1%	NA
Tax due at MCIT	P11,802	NA

The MCIT payment is recognized as a deferred tax asset in the books and presented as part of the other assets. (See Note 11.)

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 ₱2.8 million in 2020 and ₱4.9 million in 2019 and for which no deferred tax assets have been recognized as of December 31, 2021. 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 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>Opening Balances</i>	<i>Applied 2021</i>	<i>Expired</i>	<i>Closing Balances</i>	<i>Expiry Date</i>
2020	₱2,858,804	₱-	₱-	₱2,858,804	December 31, 2025*
2019	4,864,353	(1,267,696)	-	3,596,657	December 31, 2022
2018	5,273,099	(5,273,099)	-	-	December 31, 2021
2017	8,713,191	-	(8,713,191)	-	December 31, 2020
Total	₱21,709,447	(₱6,540,795)	(₱8,713,191)	₱6,455,461	

* Extended to five (5) years per BIR RR No. 25-2020.

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.

Note 23

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. The Company has no associates and joint venture projects.

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 ₱285,707 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 ₱1,380,833 by the end of 2021 and ₱1,545,135 by the end of 2020. (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>	2021	2020
Opening balances	₱1,545,135	₱1,880,360
Additional charges incurred	964,749	883,987
Payments made	(1,163,336)	(1,219,212)
Closing balances	₱1,346,548	₱1,545,135

- c) A stockholder is also providing the mortuary services required under the life plan policies. Total payments for services rendered amounted ₱1,890,000 in 2021 and ₱2,644,000 in 2020.
- 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 ₱39,147,894 in 2021 and ₱17,538,001 in 2020. (See Note 19.)
- e) The key management compensation follows:

<i>Years Ended December 31,</i>	2021	2020
Salaries and wages	₱5,221,874	₱4,747,158
Honoraria	880,000	805,555
Employee benefits	887,590	806,900
	₱6,989,464	₱6,359,613

Note 24

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:

Accounting of Profit (Loss) for the Year

<i>Years Ended December 31,</i>	2021	2020
Profit for the year per statement of profit or loss	₱11,010,648	₱1,987,826
Less profit for the year of trust fund – life plan (Note 16)	(1,643,025)	(109,738)
Profit for the Year (Corporate Funds), Unrestricted	₱9,367,623	₱1,878,088

Earnings Per Ordinary (Common) Share

Profit for the year, unrestricted (see table above)	₱9,367,623	₱1,878,088
Weighted average number of common shares	156,050,000	136,211,473
Earnings Per Common Share	₱0.06003	₱0.01379

Note 25

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, 2021</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Financial assets</i>				
Cash and cash equivalents (Note 4)	₱74,087,297	₱-	₱-	₱74,087,297
Trade and other receivables (Note 5)			1,656,633	1,656,633
Investment in Trust Fund–Life Plan (Note 9)			65,544,305	65,544,305
Investments in financial instruments (Note 8)			84,624,112	84,624,112
	₱74,087,297	₱-	₱151,825,050	₱225,912,347
<i>Financial liabilities</i>				
Trade and other payables (Note 12)	₱-	₱-	₱9,752,581	₱9,752,581
Deposits for future subscriptions (net) (Note 15)			7,000,000	7,000,000
	₱-	₱-	₱16,752,581	₱16,752,581
<i>December 31, 2020</i>				
<i>Financial assets</i>				
Cash and cash equivalents (Note 4)	₱72,383,652	₱-	₱-	₱72,383,652
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
	₱72,383,652	₱-	₱112,999,342	₱185,382,994
<i>Financial liabilities</i>				
Trade and other payables (Note 12)	₱-	₱-	₱9,752,581	₱9,752,581
Deposits for future subscriptions (Note 15)			7,000,000	7,000,000
	₱-	₱-	₱16,752,581	₱16,752,581

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, 2021 and 2020.

<i>December 31, 2021</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Prepaid expenses (Note 6)			₱3,219,278	₱3,219,278
Property and equipment (Note 7)			6,272,772	6,272,772
Right-of-use asset (Note 7)			31,691	31,691
Other non-current assets (Note 11)			836,066	836,066
			₱10,359,807	₱10,359,807
<i>December 31, 2020</i>				
Prepaid expenses (Note 6)			₱1,274,996	₱1,274,996
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
			₱8,798,211	₱8,798,211

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 26

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 ₱84,624,112 in 2021 and ₱82,053,187 in 2020, 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 (₱2,181,715) in 2021 and ₱1,280,103 in 2020. (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, 2021 and 2020 is the carrying amounts as shown below:

<i>December 31,</i>	2021	2020
Cash and cash equivalents (<i>Note 4</i>)	₱74,087,297	₱72,383,652
Trade and other receivables (<i>Note 5</i>)	1,656,633	1,399,952
Investment in Trust Fund – Life Plan (<i>Note 9</i>)	65,544,305	29,546,203
Investments in financial instruments (<i>Note 8</i>)	84,624,112	82,053,187
	₱225,912,347	₱185,382,994

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

<i>December 31, 2021</i>	<i>High Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents (<i>Note 4</i>)	₱74,087,297	₱–	₱–	₱74,087,297
Trade and other receivables (<i>Note 5</i>)	1,656,663			1,656,663
Investments in fin. instruments (<i>Note 8</i>)	84,624,112			84,624,112
Investment in Trust Fund–Life Plan (<i>Note 9</i>)	65,544,305			65,544,305
	₱225,912,377	₱–	₱–	₱225,912,377
<i>December 31, 2020</i>				
Cash and cash equivalents (<i>Note 4</i>)	₱72,383,652	₱–	₱–	₱72,383,652
Trade and other receivables (<i>Note 5</i>)	1,399,952			1,399,952
Investments in fin. instruments (<i>Note 8</i>)	82,053,187			82,053,187
Investment in Trust Fund–Life Plan (<i>Note 9</i>)	29,546,203			29,546,203
	₱185,382,994	₱–	₱–	₱185,382,994

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

Liquidity Risks

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

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

<i>December 31, 2021</i>	<i>Due in 1 Year</i>	<i>Due Over 1 Year</i>	<i>Total</i>
Trade and other payables (<i>Note 12</i>)	₱17,517,248	₱–	₱17,517,248
Deposits for future subscriptions (<i>Note 15</i>)	7,000,000	–	7,000,000
	₱24,517,248	₱–	₱24,517,248

<i>December 31, 2020</i>	<i>Due in 1 Year</i>	<i>Due Over 1 Year</i>	<i>Total</i>
Trade and other payables (Note 12)	P9,752,581	P-	P9,752,581
Deposits for future subscriptions (Note 15)	7,000,000	-	7,000,000
	P16,752,581	P-	P16,752,581

Note 27

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 quarantine protocols nationwide as its effective measures against the spread of the Corona Virus (COVID-19). Beginning 1 March 2022 and again beginning 1 April 2022, the National Capital Region (NCR) and 38 other areas were placed under Alert Level 1. This risk classification is implemented on a two-week period and the government may once again raise the alert level if cases and hospital utilization rates increase.

Under Alert Level-1, conditions that qualifies an area are 1) minimal to low-risk classification of case transmission; 2) total hospital beds utilization is less than 50%; 3) 70% of area’s target population has been fully vaccinated and; 4) 80% of area’s target Senior citizens population has been fully vaccinated. The Philippines is still at a level where it is transitioning to a new normal and the state of public emergency is still in effect.

Under Alert Level-1, all business establishments can operate at full capacity with the required minimum health and safety protocols (vaccination, ventilation, social distancing, amongst others) strictly observed such as: (1) wearing of well-fitted face masks at all times, whether outdoors or in indoor private or public establishments, including in all public transportation; (2) 100% on-site workforce for agencies and instrumentalities of the Government; (3) all private offices and workplaces, including public and private construction sites, may operate at full 100% capacity; however, flexible and alternative work arrangements may continue as deemed appropriate based on function or individual risk; (4) public transportation in areas under Alert Level 1 shall be at full seating capacity, and (5) presentation of proof of full vaccination is required before entry into indoor establishments and or participation in mass gathering(s) (children ages 17 and below shall not be required to present proof of vaccination status).

The Alert Level System is actually a community quarantine classification system that assigns numbers to the level of measurable factors signifying transmission cases, where Alert Level 1 indicates low and decreasing transmission, low total bed utilization rate, and low intensive care unit utilization rate, and where Alert Level 5 signifies alarming case counts, and where the bed utilization rate and intensive care unit utilization rate are at critical utilization levels. Source: <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 2021 financial statements related to the Pandemic.

Note 28

Authorization of Financial Statements

The financial statements of Cosmopolitan CLIMBS Life Plan, Inc. for the period ended December 31, 2021 were authorized for issue by its President on April 20, 2022.

Note 29

Details of Taxes, Licenses and Fees

In accordance with Revenue Regulation 15-2010, the Company discloses the following information regarding taxes, licenses and fees paid during 2021:

<i>Years Ended December 31,</i>	2021	2020
IC registration fees	₱513,946	₱337,337
Business permit and licenses	244,514	265,778
Legal, notarial fees and others	6,256	1,400
	₱764,716	₱604,515

SUPPLEMENTARY SCHEDULE TO THE FINANCIAL STATEMENTS

Annex I Reconciliation of Retained Earnings (Deficit) Available for Dividend Declaration

RECONCILIATION OF RETAINED EARNINGS (DEFICIT) AVAILABLE FOR DIVIDEND DECLARATION

Cosmopolitan CLIMBS Life Plan, Inc.

<i>December 31,</i>	2021	2020
OPENING DEFICIT		
As originally stated	(P8,342,636)	(P10,220,724)
PROFIT ACTUALLY REALIZED DURING THE YEAR	9,367,623	1,878,088
RETAINED EARNINGS (DEFICIT), AS ADJUSTED	1,024,987	(8,342,636)
ADD (DEDUCT)		
<i>Non-Actual Losses</i>		
Depreciation on revaluation increment (after tax)	-	-
Adjustments due to deviation from PFRSs (loss)	-	-
Loss on fair value adjustment of investment property (after tax)	-	-
<i>Other Transactions</i>		
Dividends declared during the year	-	-
Appropriations of Retained Earnings during the year	-	-
Reversals of appropriation during the year	-	-
Effects of prior period adjustments	-	-
Treasury shares	-	-
Sub-total	-	-
CLOSING RETAINED EARNINGS (DEFICIT)	P1,024,987	(P8,342,636)

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● **Calamity Assistance**

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(088) 880-1574
0917 154 3459/ 0998 953 4937
www.cclpi.com.ph
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PAYMENT PARTNERS

BANCO DE ORO (BDO)

Acct Name: Cosmopolitan Climbs Life Plan Inc.
Acct No.: 003 160 169 787

BANK OF THE PHILIPPINES (BPI)

Acct Name: Cosmopolitan Climbs Life Plan Inc.
Acct No.: 232 100 1516

CHINABANK

Acct Name: CCLPI PLANS
Acct No.: 127 400 010 269 (CDO)
Acct No.: 117 900 002 879 (CEBU)

METRO BANK

Acct Name: CCLPI PLANS
Acct No.: 037 703 752 1660

LANDBANK

Acct Name: Cosmopolitan Climbs Life Plan Inc.
Acct No.: 000 152 105 967

UNITED COCONUT PLANTERS BANK (UCPB)

Acct Name: Cosmopolitan Climbs Life Plan Inc.
Acct No.: 2013 0000 8374

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 - Riders
 - Accident Coverage
 - Family Protection Plan (FPP)
- Coop Life Savings Plan (CLSP)

Microinsurance Products

- Group Life & Accident with Fire Insurance (GLAFI)
 - Group Accidental Death, Dismemberment and Disablement Insurance Plus (GADDDI PLUS)
 - Group Accidental Death, Dismemberment and Disablement Insurance (GADDDI)
- Coop Family Plan (CFP)
- Kids & Youth Secure (KYSe)
- Bantay Protection for Tanod and Security Guards

CAC Exclusive Products

Microinsurance Products

Life Products

- Kabayan Insurance (KABAYANI)
 - Life and Home Assure
 - 3Sure Life Insurance
 - Individual Disability Life Ensure (IDLE)
 - MyParents Protek (MPP)
- Insurance TeleHealth (INTELEHEALTH)

Non-Life Products

- Tricycle Operators and Drivers Association (TODA)
 - Accident Insurance
 - Family AKSI (FAMSI)
 - Millennials Protek
- Love Yourself Always (LYSA)

Non-Life Insurance Products

- Motorcar Insurance
 - Compulsory Third Party Liability (CTPL)
 - Comprehensive Motor Vehicle
- Fire Insurance
 - Standard Fire with Allied Perils
 - Prestige
- Personal Accident Insurance
 - Keyman
- Parametric Insurance
 - Enhanced Weather Protect
- Other Insurance Products
 - Money, Securities & Payroll Robbery (MSPR)
 - Fidelity Guarantee

Microinsurance Products

- Coop AKSI
 - Fire Advantage
 - Fire Insurance Cash Assistance (FICA)
 - CLIMBS Health & Accident Insurance (CHAIN)
 - Student Personal Accident Insurance (SPAI)
 - Travel Personal Accident Insurance (TPAI)
 - PATxt15
 - Property Emergency & Tragedy Insurance (PrETI)

Life Permanent Plans

- 5 Pay Life
- 5 Pay Endowment at 15
- 10 Pay Endowment at 15

SUBSIDIARIES



CLIMBS INVESTMENT MANAGEMENT AND ADVISORY CORPORATION



CLIMBS SHARE CAPITAL EQUITY INVESTMENT FUND CORPORATION



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COSMOPOLITAN CLIMBS LIFE PLAN, INC.

CLIMBS Life and General Insurance Cooperative

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Email: customerservice@climbs.coop | TIN: 006237231

20/24
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2021 ANNUAL REPORT

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