INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Caritas Financial Plans, Inc.
3rd Floor, Katipunan Building
95 E. Rodriguez Sr. Blvd.
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Caritas Financial Plans, Inc. (the Company), a wholly owned subsidiary of Caritas Health Shield, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with financial reporting standards in the Philippines for pre-need companies as described in Note 2 to financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with financial reporting standards in the Philippines for pre-need companies, and for such internal control as management determines is necessary to enable the preparation of financial statement 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with PSA, 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 conclusion is 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.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Caritas Financial Plans, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

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Valid until August 26, 2020
SEC Accreditation No. 0658-AR-3 Group A
Valid until May 17, 2020
BIR Accreditation No. 08-005144-7-2017
Valid until January 13, 2020
PTR No. 7334336
Issued January 3, 2019, Makati City

April 23, 2019
Makati City, Metro Manila

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ROBERT C. CAMACHO
OIC, Chief Collection Officer

Caritas Financial Plans, Inc.
(A Wholly Owned Subsidiary of Caritas Health Shield, Inc.)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2018	2017
ASSETS			
Cash and cash equivalents	4	**₱15,466,552**	₱45,858,150
Investment in trust funds	5	**1,079,027,594**	946,808,776
Insurance premium fund	6	**12,006,265**	12,006,265
Investment securities	7	**40,728,880**	35,870,749
Receivables	8	**51,316,673**	77,570,737
Property and equipment	9	**19,685,215**	21,227,958
Prepayments and other assets	10	**5,671,086**	9,349,683
Deferred income tax assets	21	**1,332,963**	886,098
TOTAL ASSETS		**₱1,225,235,228**	₱1,149,578,416
LIABILITIES AND EQUITY			
Liabilities			
Plan benefits payable	5	**₱42,588,220**	₱2,350,000
Accounts payable and accrued expenses	12	**11,285,667**	9,656,450
Pre-need reserves	11	**1,013,352,611**	947,437,334
Insurance premium reserve	6	**9,921,718**	10,962,014
Other reserves	11	**6,804,357**	6,547,442
Other liabilities	13	**34,851,587**	36,810,171
Total Liabilities		**1,118,804,160**	1,013,763,411
Equity			
Capital stock	14	**150,000,000**	150,000,000
Contingency surplus	14	**67,300,000**	67,300,000
Other comprehensive income (loss)		**6,969,782**	(10,211,679)
Deficit	14	**(117,838,714)**	(71,273,316)
Total Equity		**106,431,068**	135,815,005
TOTAL LIABILITIES AND EQUITY		**₱1,225,235,228**	₱1,149,578,416

See accompanying Notes to Financial Statements.

Caritas Financial Plans, Inc.
(A Wholly Owned Subsidiary of Caritas Health Shield, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2018	2017
REVENUE			
Premium revenue	11	**₱158,990,837**	₱187,421,871
Trust fund income, net of trust fees	5	**29,567,680**	38,653,448
Investment income	15	**1,784,572**	2,008,844
Other income	16	**14,902,127**	15,097,053
		205,245,216	243,181,216
COST OF SERVICES			
Cost of contracts issued:			
Increase in pre-need, insurance premium and other reserves	6, 11	**150,373,453**	162,564,988
Documentary stamp taxes and registration fees		**601,928**	618,798
		150,975,381	163,183,786
Other direct costs and expenses	17	**33,809,756**	33,953,405
		184,785,137	197,137,191
GROSS PROFIT		**20,460,079**	46,044,025
GENERAL AND ADMINISTRATIVE EXPENSES	18	**61,182,209**	62,878,866
LOSS BEFORE INCOME TAX		**(40,722,130)**	(16,834,841)
INCOME TAX EXPENSE	21		
Current		**6,333,340**	4,327,911
Deferred		**(490,072)**	(523,273)
		5,843,268	3,804,638
NET LOSS		**(46,565,398)**	(20,639,479)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss			
Fair value gain on investment securities, net of deferred tax	7	**16,644,202**	–
Remeasurement gain on retirement liability, net of deferred tax	19	**537,259**	267,821
Item to be reclassified to profit or loss			
Fair value gain on investment securities, net of deferred tax	7	**–**	20,410,304
		17,181,461	20,678,125
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱29,383,937)**	₱38,646

See accompanying Notes to Financial Statements.

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OIC, Chief Collection Officer
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Caritas Financial Plans, Inc.
(A Wholly Owned Subsidiary of Caritas Health Shield, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2018	2017
CAPITAL STOCK - ₱100 par value	14	**₱150,000,000**	₱150,000,000
CONTINGENCY SURPLUS	14	**67,300,000**	67,300,000
OTHER COMPREHENSIVE INCOME (LOSS)			
Fair Value Reserve on Investment Securities	7		
Balance at beginning of year		**(11,252,586)**	(31,662,890)
Unrealized fair value gains, net of deferred tax		**16,649,417**	36,547,444
Fair value gain transferred to profit or loss		**(5,215)**	(16,137,140)
Balance at end of year		**5,391,616**	(11,252,586)
Remeasurement Gain on Retirement Liability	19		
Balance at beginning of year		**1,040,907**	773,086
Remeasurement gain, net of deferred tax		**537,259**	267,821
Balance at end of year		**1,578,166**	1,040,907
		6,969,782	(10,211,679)
DEFICIT	14		
Balance at beginning of year		**(71,273,316)**	(50,633,837)
Net loss		**(46,565,398)**	(20,639,479)
Balance at end of year		**(117,838,714)**	(71,273,316)
		₱106,431,068	₱135,815,005

See accompanying Notes to Financial Statements.

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Caritas Financial Plans, Inc.
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STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱40,722,130)**	(₱16,834,841)
Adjustments for:			
Increase in pre-need, insurance premium and other reserves	6, 11	**65,131,896**	135,391,333
Trust fund income, net of trust fees	5	**(29,567,680)**	(38,653,448)
Depreciation and amortization	9	**2,963,327**	3,531,620
Investment income	15	**(1,784,572)**	(2,008,844)
Provision for impairment loss on receivables	8	**823,294**	–
Retirement benefits	19	**736,880**	912,841
Write-off of receivables	8	**113,779**	–
Gain on sale of:			
Investment securities	7	**(5,215)**	(4,006,712)
Property and equipment	9	**–**	(89,618)
Operating income (loss) before working capital changes		**(2,310,421)**	78,242,331
Decrease (increase) in:			
Receivables		**25,308,107**	35,023,186
Prepayments and other assets		**3,678,597**	(2,109,019)
Increase (decrease) in:			
Plan benefits payable		**40,238,220**	2,350,000
Accounts payable and accrued expenses		**1,629,217**	1,985,077
Other liabilities		**(1,927,951)**	(5,036,299)
Net cash flows generated from operations		**66,615,769**	110,455,276
Contributions to trust funds	5	**(138,174,430)**	(127,221,114)
Withdrawals from trust funds	5	**44,850,711**	18,850,000
Income taxes paid		**(108,164)**	(342,545)
Net cash provided by (used in) operating activities		**(26,816,114)**	1,741,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment securities	7	**(32,927,098)**	(21,896,150)
Property and equipment	9	**(1,599,046)**	(3,277,040)
Proceeds from sale of:			
Investment securities	7	**28,978,742**	35,657,461
Property and equipment	9	**178,462**	302,045
Investment income received		**1,793,456**	1,976,912
Net cash provided by (used in) investing activities		**(3,575,484)**	12,763,228
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(30,391,598)**	14,504,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**45,858,150**	31,353,305
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱15,466,552**	₱45,858,150

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Caritas Financial Plans, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 31, 1993. The Company is primarily engaged to market and sell pension plans under which the savings of professionals, officers, directors and other personnel of corporations, firms, or entities, and self-employed can be pooled together, accumulated, and invested in profitable placements and productive enterprises so as to build a retirement estate for each individual participant or plan holder and provide maternity benefit program.

The Company is a wholly owned subsidiary of Caritas Health Shield, Inc. (CHSI or Parent Company), an entity incorporated in the Philippines and engaged in medical and health maintenance services.

The registered office address of the Company and its principal place of business is located at the 3rd Floor, Katipunan Building, 95 E. Rodriguez Sr. Blvd., Quezon City.

The accompanying financial statements as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 23, 2019, as recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared in accordance with financial reporting standards in the Philippines for pre-need companies. Financial reporting standards in the Philippines for pre-need companies consist of the Pre-Need Rule 31, As Amended, *Accounting Standards for Pre-need and Pre-Need Uniform Chart of Accounts (PNUCA)* issued by the SEC and Philippine Financial Reporting Standards (PFRS) except for the valuation of certain investment securities under PFRS 9, *Financial Instruments*, applicable Insurance Commission (IC) Circular Letter and accounting requirements.

The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Measurement Bases

The financial statements are presented in Philippine Peso, the functional currency of the Company. All amounts are in absolute values, unless otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for investment securities that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset. 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 transaction date.

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 market 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting years.

For purposes of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained in the foregoing.

Further information about the assumptions made in measuring fair values is presented in Note 23, *Insurance and Financial Risk and Capital Management.*

Adoption of New and Amended PFRS

The Company adopted the following new and amended PFRS effective January 1, 2018 as summarized below.

- PFRS 9 – This standard replaces PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  For financial assets, PFRS 9 requires subsequent measurement at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken - the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary to have an objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Related IC circular issued subsequent to adoption of PFRS 9 -

- IC Circular 2018 - 58, *Regulatory Relief for the Pre-Need Industry due to High Volatility in the Philippine Financial Market* – This circular provides regulatory relief on the valuation of publicly listed securities, fixed income debt securities and pre-need reserves (PNR). Pre-need companies may opt to use the prevailing market rate as at December 31, 2017 for securities acquired on or before December 31, 2017 or the acquisition cost for securities acquired after December 31, 2017 in the valuation of publicly listed equity securities and to use the amortized cost in the valuation of fixed income debt securities. Furthermore, pre-need companies may opt to use the prevailing market rate in the valuation of PNR.

  This is applicable only for 2018 financial reporting. The applicability of the circular letter is subject to the reassessment of the IC for the subsequent years.

The Company applied the requirements of PFRS 9 retrospectively.

Based on the Company's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39, except for corporate bonds that were previously measured at fair value through other comprehensive income.

The following table shows the classification categories under PAS 39 and PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

		PFRS 9 Classification	
		Financial Assets at	
Classification under PAS 39	Balance as at December 31, 2017	Fair Value through Other Comprehensive Income (FVOCI)	Amortized Cost
Loans and receivables:			
Cash and cash equivalents	₱128,477,382	₱–	₱128,477,382
Receivables	91,008,954	–	91,008,954
Refundable deposits	4,624,199	–	4,624,199
Available-for-sale (AFS) financial assets:			
Government securities	475,252,970	475,252,970	–
Listed equity securities	309,283,144	309,283,144	–
Corporate bonds	111,556,108	–	111,556,108
Held-to-maturity (HTM) investments -			
Corporate bonds	4,870,000	–	4,870,000
	₱1,125,072,757	₱784,536,114	₱340,536,643

Corporate bonds classified as financial assets at amortized cost are held within a business model whose objective is to collect contractual cash flows representing solely payments of principal and interest. The impact of the adjustment from the adoption of PFRS 9 resulting from the reclassification of corporate bonds from AFS financial assets to financial assets at amortized cost is not significant. Accordingly, adjustment was recognized in 2018.

The Company has not designated any financial liabilities at fair value through profit or loss (FVPL). There are no changes in classification and measurement for the financial liabilities.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss, has no significant impact on the carrying amounts of the Company's financial assets.

Regulatory Relief. In 2018, the Company availed the regulatory relief on the valuation of listed equity securities and fixed income debt securities. Listed equity securities are valued using the prevailing market rate as at December 31, 2017 for securities acquired on or before December 31, 2017 and the acquisition cost for securities acquired after December 31, 2017. Fixed income debt securities are valued using amortized cost.

Impact of the availment of the regulatory relief is as follows:

	With Relief	Without Relief	Difference
Fixed income debt securities -			
Government securities	₱576,925,363	₱524,562,289	₱52,363,074
Listed equity securities	312,643,482	295,170,123	17,473,359
	₱889,568,845	₱819,732,412	₱69,836,433

Had the Company not availed the regulatory relief, cumulative fair value loss on investment securities, net of tax, amounted to ₱70.4 million as at December 31, 2018. Unrealized fair value loss amounted to ₱32.7 million in 2018.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

  The adoption of PFRS 15 and the amendment to PFRS 15 did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – The new standard replaces the current guidance in PAS 17, *Leases.* PFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rental for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified under financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some difference may arise as a result of the new guidance on the definition of lease. Under PFRS 16, 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.

  Since the Company holds lease agreements with third parties and its Parent Company for its branch premises, the standard will result in the recognition of right-of-use asset and lease obligation in its financial position based on the present value of its minimum lease payments. The Company will provide a detailed quantitative impact over the next twelve months.

- Amendments to PFRS 9 - *Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9 for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company, except for PFRS 16 as discussed in the foregoing. Additional disclosures will be included in the financial statements as applicable.

Financial Instruments (including those in the Investment in Trust Funds and Insurance Premium Fund)

Date of Recognition. The Company recognizes a financial asset or liability in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial instruments classified as financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, corporate bonds, receivables and refundable lease deposits (under prepayments and other assets), which were previously classified as loans and receivables, except for corporate bonds that were classified as AFS financial assets and HTM investments under PAS 39.

Financial Assets at FVOCI. For debt instruments, financial assets should be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the foregoing conditions are not met.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

This category includes listed equity and government securities, which were previously classified as AFS financial assets under PAS 39.

Prior to the adoption of PFRS 9, the Company classifies its financial assets into the following categories: financial assets at FVPL, loans and receivables, HTM investments and AFS financial assets.
The classification of financial assets depends on the purpose for which these were acquired and whether these are quoted in an active market.

The Company does not have financial instruments classified as financial assets at FVPL as at December 31, 2017.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment losses in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value gain (loss) on investment securities, net of deferred tax" in the statement of changes in equity.

The effective yield component of AFS debt securities is recognized as interest income and included as part of "Investment income" in the statement of comprehensive income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in the statement of changes in equity are transferred to and recognized in profit or loss.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company has the positive intention and ability to hold to maturity. When the Company sells more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category is tainted and should be reclassified as AFS financial assets.

After initial recognition, HTM investments are subsequently measured at amortized cost using the effective interest method, less allowance for any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is recognized in profit or loss.

Financial Liabilities

Classification. The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

The Company does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Accounts payable and accrued expenses and other liabilities (excluding planholders' deposits, retirement liability and statutory liabilities) are classified under this category.

Reclassification of Financial Assets

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

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss should be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Prior to the adoption of PFRS 9, the Company may reclassify certain financial assets when there is a change in intention, subject to certain requirements as provided under PAS 39.

Impairment of Financial Assets
The Company assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

The Company recognizes impairment losses on financial assets at amortized cost based on ECL, which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the financial asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

For financial assets at amortized cost, the Company has applied the general approach and has calculated ECL based on the 12-month ECL which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For a financial asset that is credit-impaired at the reporting date, the Company should measure the ECL as the difference between the asset gross carrying amount and the present value of estimated future cash flows discounted at the financial asset original effective interest rate. 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, among others: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event or (c) the disappearance of an active market for that financial asset because of financial difficulties. It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Financial assets at amortized cost are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Prior to the adoption of PFRS 9, an allowance for impairment losses is recognized when a financial asset or a group of financial assets is deemed to be impaired, i.e., if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For HTM investments, evidence of impairment may include deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

If there is objective evidence that an impairment loss has been incurred on debt instruments, the amount of the loss is measured as the excess of financial asset's carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows from the financial asset.

For equity instruments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on the financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

Derecognition of Financial Assets and Liabilities
A financial asset (or where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the year covered by the payment and charged to appropriate expense accounts in profit or loss when incurred.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The initial cost of property and equipment consists of the purchase price, including import duties and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Major renovations that qualify for capitalization are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is shorter.
Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Asset Type	Number of Years
Building	30
Office equipment	5
Furniture and fixtures	5
Transportation equipment	4

Leasehold improvements are amortized on a straight-line basis over their useful lives of two years or the term of the lease, whichever is shorter.

The asset's estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the books until these are no longer in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and any impairment are derecognized. Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount of the assets and are included in profit of loss.

Plan Benefits Payable

This includes amount payable to planholders and beneficiaries in the course of settlement and incurred but not reported claims on the pre-need contract such as due but unpaid matured benefits, surrender benefits and annuity payments.

Pre-need Reserves (PNR)

PNR, which represents the accrued net liabilities of the Company to its planholders, are actuarially computed based on standards and guidelines set forth by the IC. The increase or decrease in the account is charged or credited to costs of contracts issued in profit or loss.

PNR is set up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts. The recognition of PNR is based on the general requirements on provisioning and specific methodology. The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in determining the best estimate of a provision.

The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

(a) On currently-being-paid plans

Liability should be set up for the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company. It should be equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per product model discounted at the prescribed rate by the IC.

Currently-being-paid plans pertain to accounts that are up-to-date in payment and include in-force plans as defined in the contract provision (i.e., plans within the 60-day grace period).

(b) On lapsed plans within the allowable reinstatement period

The liability that should be set up is equivalent to multiplying the reinstatement rate to the calculated present value of future maturity benefits reduced by the present value of future trust fund contributions less the sum of unpaid premiums from last unpaid due date to valuation date. The reinstatement rate is based on the experience of the Company.

(c) On fully paid plans

Liability should be set up for plans that have completed all installment payments. The reserve should be the present value of future maturity benefits discounted at the interest rate prescribed by the IC.

The rates of surrender, cancellation, reinstatement, and inflation, are based on the actual experience of the Company or the industry in the last three years.

Insurance Premium Reserve (IPR)
IPR, which represents the amount that must be set aside by the Company to pay for premiums for insurance coverage of fully paid planholders, is actuarially computed based on standards and guidelines set forth by the IC. The increase or decrease in the account is charged or credited to costs of contracts issued in profit or loss.

Other Reserves
Other reserves, which is optional but provided by the Company as a prudent measure, represents the amount set aside by the Company to cover the administrative expenses of fully paid plans. The increase or decrease in the account is charged or credited to costs of contracts issued in profit or loss.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Any additional capital contribution from the shareholders to comply with minimum capital requirements is credited to contingency surplus.

Deficit. Deficit represents the cumulative balance of net loss of the Company.

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprises of income and expenses (including items previously presented under the statements of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive loss includes fair value loss on investment securities, net of deferred tax and cumulative remeasurement gains (losses) on retirement liability, net of deferred tax.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Premium Revenue. Premium revenue from sale of pre-need plans is recognized as earned when collected.

Trust Fund Income. Income generated by the trust fund is recognized in profit or loss when earned. The portion of retained earnings representing the trust fund income is automatically restricted to payments of benefits of planholders and such other related payments as allowed under the Pre-Need Rules.

Investment Income. Investment income includes the following:

(a) *Interest Income.* Interest income is recognized in profit or loss using the effective interest method.

    The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset.

    When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

    Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

(b) *Dividend Income.* Dividend income is recognized when the right to receive payment is established.

Other Income. Other income, which includes loading and handling fees, surcharges on lapsed plans, income on cancelled plans, reinstatement and amendment fees, and other miscellaneous policy fees, are recognized when collected.

<u>**Costs and Expenses**</u>

Cost of Contracts Issued. Cost of contracts issued consists of:

(a) the increase in PNR in the current year as compared to the carrying amount of the PNR in previous year. If there is a decrease in the PNR as a result of new information or new developments, the amount should be deducted from the cost of contracts issued of the current year. In case of material prior period errors, the adjustment should be recognized and effected to prior years.

(b) documentary stamp tax and registration fees.

Other Direct Costs and Expenses. This account includes basic commissions, other commissions such as overrides and bonuses, insurance and other charges that constitute direct cost of contracts issued.

Commissions, which are paid only to licensed active agents of the Company, are due and payable whenever there are collections on pre-need plans that are credited to premium income. Rates of commission vary depending on the product sold and mode of payment in accordance with the product design as approved by the IC.

General and Administrative Expenses. This account includes expenses incurred for the execution of administrative functions in the normal course of business. General and administrative expenses are recognized in profit or loss when incurred.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases where a significant portion of the risks and benefit of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Employee Benefits

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses.

Retirement Benefits. The retirement benefits are determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the tax paid or withheld is included in current income tax expense.

Deferred income tax is determined using the tax rate (and tax laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax (MCIT)) to the extent that it is probable that future taxable income will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences.

The Company reassesses at each reporting date the need to recognize previously unrecognized deferred income tax assets.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when inflows of economic benefits are probable.

Events after Reporting Year
Subsequent events that provide additional information about the Company's financial position at the reporting year are reflected in the financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgments that 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.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Determining Classification of Financial Instruments. Upon adoption of PFRS 9, classification of financial instruments depends on the results of the business model and "sole payment of principal and interest" test performed by the Company. The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

Prior to the adoption of PFRS 9, the Company exercises judgments in classifying a financial instrument upon initial recognition in accordance with the substance of the contractual arrangement and its definitions. The substance of a financial instrument, rather than its legal form, governs the classification in the statements of financial position.

The classification on various financial assets and liabilities of the Company are disclosed in Note 2.

Determining Fair Value of Financial Instruments. The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments. However, the fair value of listed equity and fixed income securities were determined based on the measurement guidelines of the regulatory relief issued by the IC which is applicable for 2018 financial reporting.

All models are approved by the BOD before these are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active market.

As discussed in Note 2, in 2018, the Company availed the regulatory relief issued by the IC on the valuation of listed equity securities and fixed income securities. Accordingly, the fair values of listed equity and fixed income securities were based on the measurement guidelines issued by the IC.

Assessing Impairment Losses on Financial Assets. Upon adoption of PFRS 9, the Company assesses impairment losses on financial assets based on ECL using historical loss experience adjusted for forward-looking factors, as appropriate. The Company estimates impairment using 12-month or lifetime ECL, as applicable.

The Company has no historical loss experience and has assessed that the credit risk on financial assets, except for certain advances to employees, is low and has not significantly increased since initial recognition. Further information on credit quality of financial assets is disclosed in Note 23, *Insurance and Financial Risk and Capital Management.*

Provision for impairment losses on advances to employees amounted to ₱823,294 in 2018 (Note 8).

As at December 31, 2018, the carrying amounts of financial assets subject for impairment are as follows:

	Note	**2018**
Government securities	5, 7	**₱586,081,042**
Corporate bonds	5, 7	**122,398,051**
Receivables	5, 8	**75,162,822**
Cash and cash equivalents	4, 5	**64,860,232**
Refundable deposit	10	**1,800,353**
		₱850,302,500

Prior to the adoption of PFRS 9, impairment loss is established when there is objective evidence or impairment based on events that affect future cash flows. For loans and receivables, the amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. AFS financial asset is impaired based on whether there has been a substantial or prolonged decline in the fair value of the investment (e.g. more than 20% and prolonged decline is defined as a period of more than six months). HTM investments carried at amortized cost are impaired when the carrying amount exceeds its recoverable amount, which requires judgment of the financial health of the investee.

No provision for impairment losses was recognized in 2017.

As at December 31, 2017, the carrying amounts of financial assets subject for impairment are as follows:

	Note	2017
Receivables	5, 8	₱91,008,954
AFS financial assets	5, 7	884,085,956
HTM investments	5	4,870,000
		₱979,964,910

Assessing Impairment of Non-financial Assets. The Company assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds it recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

As at December 31, 2018 and 2017, the carrying value of property and equipment amounted to ₱19.7 million and ₱21.2 million, respectively (Note 9).

Assessing Classification of Lease Commitments. The Company, as a lessee, has existing operating lease agreements for its branches and regional offices. The Company has determined that the risks and rewards of ownership related to the leased properties are retained by the lessor. Accordingly, the agreement is accounted for as an operating lease.

In 2018 and 2017, rental expense arising from operating leases amounted to ₱11.3 million and ₱12.5 million, respectively (Note 22).

Estimates and Assumptions

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

Estimating Pre-need Reserves, Insurance Premium Reserves and Other Reserves. The Company determines its pre-need reserves in accordance with the requirements of the Amended Pre-need Rule. Statutory valuation requires the use of a prospective method and assumptions based on Company experience.

The actuarial assumptions in 2018 and 2017, which are being reviewed and adjusted annually to reflect current and projected experience, are summarized in the table below:

Rates	**Assumptions**
Investment rate of return on trust funds (per annum)	5.0% to 6.5%
Annual insurance premiums (per ₱1,000 coverage)	0.68 to 6.00
Lapse/withdrawal rate	No lapse/withdrawal rates were assumed for PNR. For IPR and other reserves, lapse/ withdrawal rate is as follows:

Year	Rate
1	34%
2	13%
3	8%
4 to 5	4%
6 to 30	1%

Termination value rate	Termination value during the paying period is a percentage of the installments paid as of plan anniversary. Termination value of fully paid plans is a percentage of the maturity benefit

- Investment rate of return on trust funds

  The Company's actual experience is 2.16% and 3.66% in 2018 and 2017, respectively. Realized investment income from trust fund assets (net of trust fees and final taxes) amounted to ₱23.3 million and ₱34.7 million in 2018 and 2017, respectively (Note 5). In addition, unrealized fair value gain of investment securities amounted to ₱15.6 million and ₱18.7 million in 2018 and 2017, respectively (Note 5).

- Annual insurance premiums

  The Company purchases group insurance benefits from a related insurance company. Since the pre-need plans have limited paying period, the Company sets aside an insurance premium reserve to be able to pay for the insurance premiums due after the paying period. Annual insurance premiums pertain to the estimated amount of premiums to be paid after the paying period.

  As at December 31, 2018 and 2017, insurance premium reserve amounted to ₱9.9 million and ₱11.0 million, respectively (Note 6).

- Lapse, withdrawal and reinstatement rate

  The lapse and reinstatement rate assumptions are based on the latest persistency study and are set to zero after the premium paying period. For active plans, withdrawal rate is assumed to be zero for all durations.

- Termination value rate

  Termination value rate pertains to the amount to be recovered by the planholder, as prescribed by the IC, upon surrender of the plan, expressed as a percentage of the gross contract price of the plan during the paying period, based on the premiums paid by the planholder, and a percentage of the maturity benefit after the paying period.

As at December 31, 2018 and 2017, PNR and other reserves amounted to ₱1,020.2 million and ₱954.0 million, respectively (Note 11).

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions used as discussed in the foregoing would require a material adjustment to the carrying amounts of the pre-need, insurance premium and other reserves. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the actuarial assumptions at the reporting date. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of pre-need, insurance premium and other reserves estimated at the reporting date may differ significantly from the amount reported.

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 and market behavior. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the assumptions at the reporting date.

There is no change in the estimated useful life of property and equipment in 2018 and 2017. The carrying value of property and equipment amounted to ₱19.7 million and ₱21.2 million as at December 31, 2018 and 2017, respectively (Note 9).

Determining Retirement Liability. The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement include the discount rate and salary increase rate. Any changes in these assumptions will impact the carrying amount of retirement liability.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liability. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation. Sensitivity analyses of these actuarial assumptions are presented in Note 19.

Other key assumptions for retirement liability are based in part on current market conditions.
As at December 31, 2018 and 2017, retirement liability amounted to ₱2.7 million (Note 19).

Assessing Realizability of Deferred Income Tax Assets. Recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. This assessment, which is based on the Company's past results and future expectations on revenues and expenses, is reviewed at each reporting date.

As at December 31, 2018 and 2017, net deferred income tax assets amounted to ₱1.3 million and ₱0.9 million, respectively (Note 21).

As at December 31, 2018 and 2017, unrecognized deferred income tax assets amounted to ₱32.7 million and ₱30.4 million, respectively (Note 21). Management assessed that there will not be sufficient taxable income in the future from which the deferred income tax assets on NOLCO and excess MCIT may be applied prior to its expiration.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱228,100**	₱220,600
Cash in banks	**14,723,247**	33,385,211
Cash equivalents	**515,205**	12,252,339
	₱15,466,552	₱45,858,150

Cash in banks and cash equivalents earn interest at prevailing bank deposit rates.

Cash equivalents pertain to short-term placements, which include time deposits and investments in the special deposit accounts of the Bangko Sentral ng Pilipinas that are under Investment Management Account (IMA) agreement, with average maturity of 30 days in 2018 and 2017.

Interest income earned from cash and cash equivalents amounted to ₱193,130 and ₱138,218 in 2018 and 2017, respectively (Note 15).

5. Investment in Trust Funds

Trust funds pertains to the net asset value of funds set up for the estimated cost of benefits or services to be rendered in accordance with the plan contracts sold. Investment in trust funds is carried at net asset value, which is determined as trust fund assets less trust fund liabilities. In accordance with existing IC rules and regulations, the Company is required to deposit a certain portion of the collections from planholders with trustee banks to ensure future payments of pension to planholders upon maturity of the plans. Deposits made based on applicable rules and regulations of the IC are adjusted annually to conform to the actuary's study and evaluation.

The Company's trust funds are administered and managed by two local universal banks.

Trust fund assets and liabilities and net asset value as at December 31 consist of:

	2018	2017
Trust Fund Assets		
Financial assets at amortized cost:		
Cash and cash equivalents	**₱49,621,780**	₱82,619,232
Receivables	**23,846,149**	13,438,217
Corporate bonds	**118,478,535**	108,068,190
HTM investments - corporate bonds	**–**	4,870,000
Financial assets at FVOCI:		
Government securities	**576,925,363**	472,794,240
Listed equity securities	**312,643,482**	267,352,777
	1,081,515,309	949,142,656
Trust Fund Liabilities		
Accrued expenses and other liabilities	**(2,487,715)**	(2,333,880)
Net Asset Value	**₱1,079,027,594**	₱946,808,776

Corporate bonds pertain to fixed rate bonds of various private corporations. Government securities comprise various government fixed-term notes and retail treasury bonds with maturity of two to 20 years.

Movements in the trust fund balance are summarized as follows:

	2018	2017
Balance at beginning of year	**₱946,808,776**	₱785,089,762
Contributions	**138,174,430**	127,221,114
Withdrawals	**(44,850,711)**	(18,850,000)
Trust fund income, net of trust fees and final taxes	**23,342,504**	34,668,082
Changes in unrealized fair value	**15,552,595**	18,679,818
Balance at end of year	**₱1,079,027,594**	₱946,808,776

Trust fund income is automatically restricted for the payments of benefits of planholders. The details of trust fund income, net of trust fees and final taxes, follow:

	2018	2017
Investment income from trust fund assets	**₱33,705,734**	₱43,607,103
Trust fees	**(4,138,054)**	(4,953,655)
	29,567,680	38,653,448
Final taxes	**(6,225,176)**	(3,985,366)
	₱23,342,504	₱34,668,082

In compliance with the Pre-need Code, the net asset value of the trust funds should be at least equal to the required PNR as determined by a qualified actuary using the method prescribed by the IC.

The reconciliation of the trust fund balance with the aggregate balance of PNR and plan benefits payable is as follows:

	Note	2018	2017
Net asset value of trust funds		**₱1,079,027,594**	₱946,808,776
PNR	11	**(1,013,352,611)**	(947,437,334)
Plan benefits payable		**(42,588,220)**	(2,350,000)
Excess (deficit) of trust funds over sum of PNR and plan benefits payable		**₱23,086,763**	(₱2,978,558)

In 2018 and 2017, total pension benefits and surrender values amounted to ₱85.2 million and ₱27.2 million, respectively (Note 11). In 2018 and 2017, payments were made through withdrawal from the trust funds of ₱44.9 million and ₱18.9 million, respectively, and through the Company's corporate assets of ₱152,626 and ₱6.0 million, respectively.

As at December 31, 2018 and 2017, plan benefits payable amounted to ₱42.6 million and ₱2.4 million, respectively.

On January 2018, the Company made additional contributions to the trust funds amounting to ₱8.5 million.

Section 34 of the Pre-Need Code establishes the limitations on the investment portfolio mix for trust funds.

To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust fund/s of a pre-need company should be subject to limitations as follows:

(a) Fixed Income Instruments

These may be classified into short-term and long-term instruments. The instrument is short-term if the maturity period is 365 days or less. This category includes:

(i) Government securities which shall not be less than 10% of the trust fund amount.

(ii) Savings/time deposits and unit investment trust funds maintained and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas.

(iii) Commercial papers duly registered with the IC with a credit rating of "1" for short-term and "AAA" for long-term based on the rating scale of an accredited Philippine Rating Agency or its equivalent at the time of investment.

(iv) Direct loans to corporations which are financially stable, profitable for the last three years and have a good track record of paying their previous loans. These loans should be fully secured by a real estate mortgage up to the extent of 60% of the zonal valuation of the property at the time the loan was granted. The property should be covered by a transfer certificate of title registered in the name of the mortgagor and free from liens and encumbrances. The maximum amount to be allocated for direct loans should not exceed

5% of the total trust fund amount while the amount to be granted to each corporate borrower should not exceed 10% of the amount allocated. The maximum term of the loan should be no longer than four years. Direct loans to planholders are exempt from the limitations set forth; provided, that such loans to planholders should not exceed 10% of the total trust fund amount.

(b) Equities

Investment in equities should be limited to stocks listed on the main board of a local stock exchange. Investments in duly registered collective investment instruments such as mutual funds are allowed; provided, that such funds are invested only in fixed income instruments and blue chips securities, subject to the limitations prescribed by laws, rules and regulations. These investments shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three years. Notwithstanding the prohibition against transactions with directors, officers, stockholders and related interests, the trustee may invest in equities of companies related to the trustee provided these companies comply with the foregoing criteria provided in this paragraph for equity investments.

The amount to be allocated for this purpose should not exceed 30% of the total trust fund while the investment in any particular issue shall not exceed 10% of the allocated amount. The investment shall be recorded at the aggregate of the lower of cost or market.

Existing investments which are not in accordance herewith shall be disposed of within three years from the effectivity of Republic Act (RA) No. 9829, otherwise known as the "*Pre-need Code of the Philippines*".

(c) Real Estate

These should include real estate properties located in strategic areas of cities and first class municipalities. The transfer certificate of title (TCT) should be in the name of the seller, free from liens and encumbrances and shall be transferred in the name of the trustee in trust for the planholders unless the seller/transferor is the pre-need company wherein an annotation to the TCT relative to the sale/transfer may be allowed. It shall be recorded at acquisition cost. However, the real estate should be appraised every three years by a licensed real estate appraiser, accredited by the Philippine Association of Real Estate Appraisers, to reflect the increase or decrease in the value of the property. In case the appraisal would result in an increase in the value, only 60% of the appraisal increase is allowed to be recorded in the books of the trust fund but in case of decline in value, the entire decline shall be recorded. Appraisal increment should not be used to cover-up the required monthly contribution to the trust fund.

The total recorded value of the real estate investment shall not exceed 10% of the total trust fund amount of the pre-need company. In the event that the existing real estate investment exceeds the aforesaid limit, the same shall be leveled off to the prescribed limit within three years from the effectivity of RA 9829.

There are no investments in real estate properties as at December 31, 2018 and 2017.

Investment of the trust fund, which is not in accordance with the preceding paragraphs, should not be allowed unless the prior written approval of the IC had been secured; *Provided, further,* That no deposit or investment in any single entity shall exceed 15% of the total value of the trust fund; *Provided, finally,* that the IC is authorized to adjust the percentage allocation per category set forth herein not in excess of 2% points upward or downward and no often than once every five years. The first adjustment hereunder may be made no earlier than five years from the effectivity of this Act. The pre-need company shall not use the trust fund to extend any loan to or to invest in its directors, stockholders, officers or its affiliates.

(d) Liquidity Reserve Fund

As at December 31, 2018 and 2017, the trust fund balance also includes the Liquidity Reserve Fund amounting to ₱626.5 million and ₱555.4 million, respectively, which comprise cash and cash equivalents and government securities.

As provided under Section 37 of the Pre-Need Code, the trustee should at all times maintain a liquidity reserve which should be sufficient to cover at least 15% of the trust fund but in no case less than 125% of the amount of the availing plans for the succeeding year. The liquidity reserve fund shall consist of cash or assets in the trust fund that is easily convertible to cash. The qualified investments for the Liquidity Reserve Fund are evidence of indebtedness of the Republic of the Philippines and savings and/or time deposits.

As at December 31, 2018 and 2017, the Company is in compliance with the implementing guidelines of the foregoing circular.

6. Insurance Premium Fund/Insurance Premium Reserve (IPR)

Insurance premium fund represents financial assets such as investments in equity securities that are restricted to cover the payment of insurance premiums after the paying period for the pre-need plan. The fund should at least equal to the amount computed for the insurance premium reserve.

Insurance premium fund, which is at least equal to the amount of the reserve determined by an IC - accredited actuary, consists of a portion of the listed equity securities under IMA.

The insurance premium fund amounted to ₱12.0 million as at December 31, 2018 and 2017, respectively.

IPR was set up for the cost of insurance premiums to be paid after the installment paying period with respect to pre-need plans with insurance coverage.

Movements of IPR are as follows:

	2018	2017
Balance as at beginning of year	**₱10,962,014**	₱11,957,623
Decrease in IPR (included in cost of contracts issued)	**(1,040,296)**	(995,609)
Balance as at end of year	**₱9,921,718**	₱10,962,014

7. Investment Securities

This account consists of:

	2018			2017
	Financial Assets at			
	FVOCI	Amortized Cost	Total	AFS Financial Assets
Balances at December 31, 2017/2016	**₱35,870,749**	**₱–**	**₱35,870,749**	₱43,961,765
Reclassifications	**(3,425,835)**	**3,425,835**	**–**	–
Balances at January 1, 2018/2017	**32,444,914**	**3,425,835**	**35,870,749**	43,961,765
Additions	**26,341,678**	**6,585,420**	**32,927,098**	21,896,150
Disposals	**(22,819,706)**	**(6,153,821)**	**(28,973,527)**	(31,650,749)
Net unrealized fair value gains	**842,478**	**62,082**	**904,560**	1,663,583
Balances at end of year	**₱36,809,364**	**₱3,919,516**	**₱40,728,880**	₱35,870,749

Investment securities under each category comprised of the following:

	2018	2017
Financial assets at FVOCI/AFS financial assets:		
Listed equity securities	**₱27,653,685**	₱29,924,102
Government securities	**9,155,679**	2,458,730
	36,809,364	32,382,832
Financial assets at amortized cost/AFS financial assets - Corporate bonds	**3,919,516**	3,487,917
	₱40,728,880	₱35,870,749

Investment securities are managed by local banks under IMA undertaken by the Company for the management and custodianship of its investible funds subject to the terms and conditions of the said agreement.

Fair value reserves on investment securities are as follows:

	2018	2017
Balance at beginning of year	**(₱11,252,586)**	(₱31,662,890)
Unrealized fair value gains, net of deferred tax	**16,649,417**	36,547,444
Fair value gain transferred to profit or loss	**(5,215)**	(16,137,140)
Balance at end of year	**₱5,391,616**	(₱11,252,586)

Gain from sold investments amounted to ₱5,215 and ₱4.0 million in 2018 and 2017, respectively (Note 16). Total proceeds from sale of investment securities amounted to ₱29.0 million and ₱35.7 million in 2018 and 2017, respectively.

8. Receivables

This account consists of:

	Note	2018	2017
Due from related parties	20	**₱49,447,177**	₱74,804,549
Advances to employees		**1,556,121**	1,774,100
Others		**1,136,669**	992,088
		52,139,967	77,570,737
Allowance for impairment losses on advances to employees		**(823,294)**	–
		₱51,316,673	₱77,570,737

Receivables are expected to be collected within 12 months from the reporting dates.

Provision for impairment losses on advances to employees, based on lifetime ECL, amounted to ₱823,294 in 2018. There are no other transfers between 12-month and lifetime ECL.

In 2018, write-off of receivables amounted to ₱113,779.

9. Property and Equipment

Movements of this account are as follows:

	2018					
	Building	**Leasehold Improvements**	**Office Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost						
Balance at beginning of year	**₱18,715,438**	**₱7,902,745**	**₱4,910,247**	**₱7,459,439**	**₱6,067,940**	**₱45,055,809**
Additions	**–**	**630,001**	**161,477**	**320,524**	**487,044**	**1,599,046**
Disposals/retirement	**–**	**(404,692)**	**–**	**–**	**(592,037)**	**(996,729)**
Balance at end of year	**18,715,438**	**8,128,054**	**5,071,724**	**7,779,963**	**5,962,947**	**45,658,126**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**2,154,529**	**7,655,676**	**3,821,891**	**4,930,309**	**5,265,446**	**23,827,851**
Depreciation and amortization	**623,847**	**398,270**	**574,319**	**950,813**	**416,078**	**2,963,327**
Disposals/retirement	**–**	**(404,692)**	**–**	**–**	**(413,575)**	**(818,267)**
Balance at end of year	**2,778,376**	**7,649,254**	**4,396,210**	**5,881,122**	**5,267,949**	**25,972,911**
Carrying Amount	**₱15,937,062**	**₱478,800**	**₱675,514**	**₱1,898,841**	**₱694,998**	**₱19,685,215**

	2017					
	Building	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱16,992,742	₱7,785,461	₱4,782,096	₱6,451,339	₱6,413,695	₱42,425,333
Additions	1,722,696	117,284	172,214	1,017,744	247,102	3,277,040
Disposals/retirement	–	–	(44,063)	(9,644)	(592,857)	(646,564)
Balance at end of year	18,715,438	7,902,745	4,910,247	7,459,439	6,067,940	45,055,809
Accumulated Depreciation and Amortization						
Balance at beginning of year	1,530,681	7,221,721	3,152,089	3,851,849	4,974,028	20,730,368
Depreciation and amortization	623,848	433,955	699,523	1,080,228	694,066	3,531,620
Disposals/retirement	–	–	(29,721)	(1,768)	(402,648)	(434,137)
Balance at end of year	2,154,529	7,655,676	3,821,891	4,930,309	5,265,446	23,827,851
Carrying Amount	₱16,560,909	₱247,069	₱1,088,356	₱2,529,130	₱802,494	₱21,227,958

In 2017, gain on sale of property and equipment amounted to ₱89,618 Note(16).

Fully depreciated property and equipment, with acquisition cost of ₱18.6 million and ₱16.3 million as at December 31, 2018 and 2017, respectively, are still being used in the operations.

10. Prepayments and Other Assets

This account consists of:

	Note	**2018**	2017
Refundable lease deposits	22	**₱1,800,353**	₱4,624,199
Prepaid rent		**1,394,101**	2,442,135
Prepaid registration fees		**1,306,002**	1,276,395
Others		**1,170,630**	1,006,954
		₱5,671,086	₱9,349,683

Others include deposits for renovation of offices.

11. Pre-need Reserves/Other Reserves

Based on the computation of an internal qualified actuary accredited by IC, the required PNR amounted to ₱1,013.4 million and ₱947.4 million as at December 31, 2018 and 2017, respectively.

In addition, other reserves were set up to cover the administrative expenses that will be incurred by the Company after the installment paying period. Other reserves amounted to ₱6.8 million and ₱6.5 million as at December 31, 2018 and 2017, respectively.

Movements of pre-need and other reserves are as follows:

	Note	PNR	Other Reserves	Total
Balance as at January 1, 2017		₱811,637,504	₱5,960,330	₱817,597,834
Increase in reserves		162,973,485	587,112	163,560,597
Pension benefits and surrender values	5	(27,173,655)	–	(27,173,655)
Balance as at December 31, 2017		947,437,334	6,547,442	953,984,776
Increase in reserves		**151,156,834**	**256,915**	**151,413,749**
Pension benefits and surrender values	5	**(85,241,557)**	**–**	**(85,241,557)**
Balance as at December 31, 2018		**₱1,013,352,611**	**₱6,804,357**	**₱1,020,156,968**

The details of the pre-need plans that were considered in the computation of the actuarial PNR are as follows:

	2018	2017
Total premium collections	**₱158,990,837**	₱187,421,871
Contract price of lapsed plans, net of reinstatements	**625,722,000**	745,642,050
Contract price of cancelled plans	**1,198,388,200**	815,744,500
Number of lapsed plans, net of reinstatements	**8,969**	11,993
Number of cancelled plans	**21,309**	15,009

Principal assumptions used in determining the PNR based on the actuarial valuation report are as follows:

Status of pre-need product	Rate (%)	Amount 2018	Amount 2017
Currently-being-paid plans	5.0 - 6.5	**₱192,595,070**	₱198,249,382
Fully-paid plans	5.0 - 6.5	**797,609,470**	735,893,443
Lapsed and cancelled plans	5.0 - 6.5	**23,148,071**	13,294,509

The Company is considering other factors in arriving at the assumptions that are used in the computation of PNR, which may change over time. Based on these, the Company makes amendments and submits such amendments to the IC.

12. Accounts Payable and Accrued Expenses

This account consists of the following:

	Note	2018	2017
Due to related parties	20	**₱5,667,019**	₱3,159,023
Accounts payable		**4,162,351**	5,121,518
Accrued expenses		**1,456,297**	1,375,909
		₱11,285,667	₱9,656,450

13. Other Liabilities

This account consists of:

	Note	2018	2017
Planholders' deposits		**₱15,299,750**	₱18,533,734
Agents' provident fund contributions		**7,110,410**	6,710,227
Agents' bond reserve		**7,090,162**	6,687,406
Retirement liability	19	**2,715,112**	2,745,745
Statutory liabilities		**1,927,504**	1,519,288
Others		**708,649**	613,771
		₱34,851,587	₱36,810,171

Maturities of other liabilities are as follows:

	2018	2017
Within 12 months	**₱17,935,903**	₱20,666,793
Over one year	**16,915,684**	16,143,378
	₱34,851,587	₱36,810,171

Planholders' deposits pertain to payments on new plan application not yet issued, excess fractional payments of a regular installment and collections for policies that have yet to be identified and applied.

Agents' provident fund contributions pertain to amounts withheld on agents' commissions which will be paid upon their resignation.

Agents' bond reserve pertains to the required bond for the Company's agents. Bond reserve will be used to cover any outstanding liability of agents upon resignation, termination or expiration of license.

14. Equity

Capital Stock

The details of the capital stock are as follows:

	Number of Shares	Amount
Authorized	3,000,000	₱300,000,000
Issued and outstanding	1,500,000	150,000,000

Contingency Surplus

The contingency surplus of ₱67.3 million represents additional capital contribution of the Company's shareholders.

Deficit

Accumulated net trust fund income amounting to ₱192.3 million and ₱179.7 million as at December 31, 2018 and 2017, respectively, are restricted for the payment of benefits of planholders. As at December 31, 2018 and 2017, deficit gross of accumulated net trust fund income amounted to₱310.1 million and ₱251.0 million, respectively.

15. Investment Income

This account consists of:

	Note	**2018**	2017
Dividend income		**₱1,118,330**	₱1,577,808
Interest income from:			
Fixed-income securities		**440,620**	226,266
Cash and cash equivalents	4	**193,130**	138,218
Advances to employees		**32,492**	66,552
		₱1,784,572	₱2,008,844

16. Other Income

This account consists of:

	Note	**2018**	2017
Service fees and loading income		**₱8,470,501**	₱9,733,755
Gain on sale of investment securities	7	**5,215**	4,006,712
Gain on sale of transportation equipment	9	**–**	89,618
Others		**6,426,411**	1,266,968
		₱14,902,127	₱15,097,053

Service fees and loading income pertain to additional fees charged to planholders who avail of the installment payment scheme. Others include policy fees, reinstatement fees and surcharges pertaining to lapsed plans.

17. Other Direct Costs and Expenses

This account consists of:

	2018	2017
Commissions:		
Basic	**₱16,378,388**	₱16,512,732
Overriding	**9,321,264**	8,108,621
Renewal	**₱2,224,534**	₱3,183,282
Collecting	**902,901**	1,186,485
Bonuses and incentives	**187,056**	168,647
	29,014,143	29,159,767
Insurance	**4,795,613**	4,793,638
	₱33,809,756	₱33,953,405

18. General and Administrative Expenses

Details of this account are as follows:

	Note	**2018**	2017
Salaries and wages		**₱21,880,519**	₱20,415,036
Office rental	22	**11,288,830**	12,462,390
Travel		**4,069,678**	3,950,316
Directors' fees	20	**4,007,947**	2,553,333
Depreciation and amortization	9	**2,963,327**	3,531,620
Seminars and trainings		**2,590,205**	3,232,662
Utilities		**2,588,446**	2,670,008
Taxes and licenses		**1,917,862**	1,563,296
Advertising		**1,318,000**	2,683,017
Professional and management fees		**871,890**	1,681,200
Office supplies		**831,244**	820,468
Retirement benefits	19	**736,880**	912,841
Others		**6,117,381**	6,402,679
		₱61,182,209	₱62,878,866

Others include settlement of legal cases and payment of penalties.

19. Retirement Liability

In the absence of a formal retirement plan, the Company provides for retirement benefits in accordance with the provisions of RA No. 7641, *Retirement Pay Law* (the Act). Retirement benefit under the Act is equivalent to 50% of the monthly pay for every year of credited service based on the salary at the time of retirement, provided that the employee is 60 years old and has rendered at least five years of service. Actuarial valuation of the retirement benefits was sought from the Company's actuary.

The components of retirement benefits charged to operations are as follows:

	Note	**2018**	2017
Current service cost		**₱588,691**	₱808,296
Interest cost		**148,189**	104,545
	18	**₱736,880**	₱912,841

Retirement liability is included as part of "Other liabilities" account recognized in the statements of financial position.

Movements in retirement liability are as follows:

	Note	**2018**	2017
Balance as at beginning of year		**₱2,745,745**	₱2,215,505
Current service cost		**588,691**	808,296
Interest cost		**148,189**	104,545
Remeasurements:			
Effect of experience adjustments		**(803,945)**	(68,643)
Effect of changes in financial assumptions		**36,432**	(313,958)
Balance as at end of year	13	**₱2,715,112**	₱2,745,745

The cumulative remeasurement gains on retirement liability recognized in other comprehensive income follows:

	Cumulative Remeasurement Gain	**Deferred Tax** (Note 21)	**Net**
Balance as at January 1, 2018	**₱1,487,010**	**(₱446,103)**	**₱1,040,907**
Remeasurement gain	**767,513**	**(230,254)**	**537,259**
Balance as at December 31, 2018	**₱2,254,523**	**(₱676,357)**	**₱1,578,166**

	Cumulative Remeasurement Gain	Deferred Tax (Note 21)	Net
Balance as at January 1, 2017	₱1,104,409	(₱331,323)	₱773,086
Remeasurement gain	382,601	(114,780)	267,821
Balance as at December 31, 2017	₱1,487,010	(₱446,103)	₱1,040,907

The principal actuarial assumptions used in determining the retirement liability for the years ended December 31 are shown below:

	2018	2017
Discount rate	**7.49%**	5.70%
Salary increase rate	**5.00%**	5.00%
Average remaining working lives of employees	**15 years**	18 years

Discount Rate. The discount rate reflects the benefit cash flows and use of zero coupon rates, even though theoretically derived.

The bootstrapping method was applied to the PDST-R2 benchmark government bonds to arrive at the theoretical zero coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future Salary Increases. This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic Assumptions. Assumptions regarding future mortality and disability rates are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the Company to a number of risks such as interest rate risk and salary risk in which most significant relates to interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company.

The projected maturity analysis of undiscounted retirement benefit payments follows:

	2018	2017
Less than one year	**₱225,069**	₱–
More than one year to five years	**782,787**	1,188,530
More than five years to 10 years	**1,962,482**	1,872,222
More than 10 years to 20 years	**20,626,940**	15,277,769
More than 20 years	**126,189,644**	146,157,671

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at December 31 follows:

	Impact on Retirement Liability			
	2018		2017	
	Amounts	%	Amounts	%
Discount rate:				
Increase by 100 bps	**(₱352,713)**	**8%**	(₱410,892)	7%
Decrease by 100 bps	**433,215**	**6%**	520,452	5%
Salary increase rate:				
Increase by 100 bps	**423,607**	**6%**	501,142	7%
Decrease by 100 bps	**(351,062)**	**4%**	(404,046)	5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the statements of financial position.

20. Related Party Transactions and Balances

In the normal course of business, the Company has transactions with CHSI and Caritas Life Insurance Corporation, an entity under common control, relating to the sale of life insurance contracts to their health card members and/or pension planholders and advances for working capital requirements.

The table below summarizes the Company's transactions and balances with its related parties.

			Amount of Transactions		Outstanding Balance	
	Note	Nature of Transactions	**2018**	2017	**2018**	2017
Due from Related Parties						
Parent Company		Cash advances and premium collections on behalf of CFPI	**(₱9,442,166)**	(₱20,416,424)	**₱46,110,301**	₱71,540,896
Entities under common control		Cash advances and premium collections on behalf of CFPI	**73,223**	111,632	**3,336,876**	3,263,653
	8				**₱49,447,177**	₱74,804,549
Due to Related Parties						
Parent Company		Office rental	**₱4,516,329**	₱5,341,445	**₱–**	₱–
Entities under common control		Insurance	**2,417,921**	3,151,717	**3,211,073**	793,152
		Cash advances and premium collections for the account of the company	**(90,076)**	(2,333,037)	**2,455,946**	2,365,871
	12				**₱5,667,019**	₱3,159,023

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, settled in cash and are payable upon demand. For the years ended December 31, 2018 and 2017, the Company has not recognized any provision for impairment losses on due from related parties.

Compensation of Key Management Personnel

The key management personnel of the Company pertain to the BOD of the Company and Senior Management Team of CHSI tasked to oversee the operations of the Company. In 2018 and 2017, directors' fees amounted to ₱4.0 million and ₱2.6 million, respectively (Note 18).

21. Income Taxes

Details of current income tax expense are as follows:

	2018	2017
Final tax	**₱6,333,340**	₱4,058,295
MCIT	**–**	269,616
	₱6,333,340	₱4,327,911

The reconciliation between income tax computed at statutory rate and the income tax at effective tax rate is shown below:

	2018	2017
Income tax at the statutory tax rate	**(₱12,216,639)**	(₱5,050,452)
Tax effects:		
Expired NOLCO	**15,039,510**	17,111,452
Nondeductible expenses	**3,613,919**	8,811,066
Income subjected to other taxes, net	**(2,728,653)**	(8,849,099)
Changes in unrecognized deferred income tax assets	**1,691,219**	(7,744,987)
Expired MCIT	**779,411**	–
Income exempt from tax	**(335,499)**	(473,342)
Effective income tax expense	**₱5,843,268**	₱3,804,638

The details of the net deferred income tax assets are as follows:

	2018	2017
Deferred income tax assets:		
Retirement liability	**₱814,534**	₱823,724
Accrued rent under straight-line method of accounting	**271,441**	249,421
Provision for impairment losses	**246,988**	–
Deferred income tax liability -		
Unrealized fair value reserve on investment securities	**–**	(187,047)
Net deferred income tax assets	**₱1,332,963**	₱886,098

Movements in net deferred income tax assets for the years ended December 31 are as follows:

	2018	2017
Balance at beginning of year	**₱886,098**	₱410,702
Charged to profit or loss	**490,072**	523,273
Credited to other comprehensive income	**(43,207)**	(47,877)
Balance at end of year	**₱1,332,963**	₱886,098

The details of the unrecognized deferred income tax assets are as follows:

	2018	2017
NOLCO	**₱31,696,732**	₱29,226,102
Excess MCIT	**1,049,027**	1,156,787
	₱32,745,759	₱30,382,889

Deferred income tax assets on NOLCO and excess MCIT have not been recognized since management does not expect that future taxable profits will be available against which the unused NOLCO and MCIT may be applied.

Details of the Company's NOLCO are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Expiration Date
2015	₱50,131,699	₱–	₱50,131,699	₱–	2018
2016	16,965,810	–	–	16,965,810	2019
2017	30,322,831	–	–	30,322,831	2020
2018	–	58,367,132	–	58,367,132	2021
	₱97,420,340	₱58,367,132	₱50,131,699	₱105,655,773	

Details of the Company's MCIT follow:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Expiration Date
2015	₱779,441	₱–	₱779,441	₱–	2018
2016	107,760	–	–	107,760	2019
2017	269,616	–	–	269,616	2020
	₱1,156,817	₱–	₱779,441	₱377,376	

22. **Leases**

The Company has existing various lease agreements with related and non-related parties for the lease of commercial spaces with lease terms ranging from one to 10 years from September 15, 2011 to May 1, 2023. Certain leases have escalation clauses.

Refundable lease deposits arising from these lease agreements amounted to ₱1.8 million and ₱4.6 million as at December 31, 2018 and 2017, respectively, are presented under "Prepayments and other assets" account in the statements of financial position (Note 10).

Rent expense recognized in profit or loss amounted to ₱11.3 million and ₱12.5 million in 2018 and 2017 are presented under "General and administrative expenses" account (Note 18).

Future minimum annual lease payments with respect to non-cancellable leases are as follows:

	2018	2017
Not more than one year	**₱7,233,645**	₱8,216,657
More than one year but not beyond five years	**19,589,273**	14,101,847
More than five years	**–**	796,785
	₱26,822,918	₱23,115,289

23. Insurance and Financial Risk and Capital Management

The Company's activities expose it to a variety of insurance and financial risks. The BOD has overall responsibility for the Company's risk management, which includes establishment and approval of risk strategies, policies and limits. The BOD monitors and evaluates the Company's financial risk in line with the strategies, policies and limits set by the BOD. The overall objective of risk management is to minimize the potential adverse effects of these risks on the financial condition and results of operations of the Company. The Company recognizes the importance of having efficient and effective risk management systems in place.

Pre-need Plan

The Company sells pension plans with fixed maturity benefit at plan maturity. In compliance with the rules and regulations, the Company has set up trust funds for pension plans. The Security Bank and Trust Company and Union Bank Trust Company act as the trustees for these funds and manage the contributions to the funds, ensure that the funds are properly invested in order to get the appropriate yield and disburse benefits as they become due and payable.

The Company also provides insurance benefits, which will pay for the plan installments to the Company upon the death or total disability of the planholder.

Insurance Risk

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer. The Company is exposed to insurance risk thru its contracts with its planholders that provide life coverage.

Insurance risk is generally managed at the Parent Company level. The Parent Company's BOD meets regularly to approve policies on any commercial, regulatory and organizational requirements. These policies define the identification of risk, provide guidance on the assessment of the insurability of potential policyholders and ensure the alignment of underwriting strategy to the corporate goals, among others.

Financial Risk

The more important types of financial risk that the Company manages include market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Market risk is the possibility that changes in equity prices, foreign currency exchange rates or interest rates will adversely affect the value of the Company's assets, liabilities or expected future cash flows.

As at December 31, 2018 and 2017, the Company is not exposed to currency risk as it has no assets and liabilities denominated in foreign currency.

Price Risk. The Company is exposed to equity price risk because of investments in equity securities held by the Company and the trust funds. Equity price risk arises because of fluctuations in market prices of equity securities. The Company is not exposed to commodity price risk.

Listed equity securities are carried at quoted close price at the reporting date. Due to the availment of relief, the prevailing market rate as at December 31, 2017 for securities acquired on or before December 31, 2017 or the acquisition cost for securities acquired after December 31, 2017 were used in the valuation of these securities.

As at December 31, 2018 and 2017, the impact of 17.71% and 25.11%, respectively increase/decrease in the close share price of listed equity securities, with all other variables held constant, would have been an increase/decrease of ₱62.4 million and ₱81.8 million in 2018 and 2017, respectively, in the Company's total comprehensive income and equity for the year. The Company's sensitivity analysis takes into account the historical performance of the stock market.

Interest Rate Risk. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates, while fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Company's long-term view on interest rates. Strict investment guidelines, as approved by the SEC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

The following table shows the interest profile of interest-bearing financial assets as at December 31:

2018	**Interest Rate (%)**	**Within One Year**	**Over One Year**	**Total**
Cash in banks and cash equivalents	**0.10-4.45**	**₱15,238,452**	**₱–**	**₱15,238,452**
Investment securities:				
Government securities	**3.25-4.20**	**–**	**9,155,679**	**9,155,679**
Corporate bonds	**3.25-4.20**	**–**	**3,919,516**	**3,919,516**
Trust funds:				
Financial assets at amortized cost:				
Cash and cash equivalents	**0.38-4.45**	**49,621,780**	**–**	**49,621,780**
Corporate bonds	**3.25-9.25**	**–**	**118,478,535**	**118,478,535**
Financial assets at FVOCI:				
Government securities	**3.25-9.25**	**–**	**576,925,363**	**576,925,363**
		₱64,860,232	**₱708,479,093**	**₱773,339,325**

2017	Interest Rate (%)	Within One Year	Over One Year	Total
Cash in banks and cash equivalents	0.10-0.80	₱45,637,550	₱–	₱ 45,637,550
Investment securities:				
Government securities	3.25-4.20	–	2,458,730	2,458,730
Corporate bonds	3.25-4.20	–	3,487,917	3,487,917
Trust funds:				
Cash and cash equivalents	0.38-4.45	82,619,232	–	82,619,232
Investment securities:				
Government securities	3.25-9.25	–	472,794,240	472,794,240
Corporate bonds	3.25-9.25	–	108,068,190	108,068,190
HTM corporate bonds	4.47-5.36	–	4,870,000	4,870,000
		₱128,256,782	₱591,679,077	₱719,935,859

The Company's interest rate risk arises from investments in corporate bonds and government securities including trust fund debt securities amounting to ₱695.4 million and ₱585.7 million in 2018 and 2017, respectively.

Based on the sensitivity analysis performed by the Company, after taking into consideration the reasonable possible shift in interest rates of the debt securities (including trust fund debt securities), an increase/decrease of 100 basis points in 2018 and 2017, with all other variables held constant, would result on a increase/decrease by ₱13.6 million and ₱5.8 million in 2018 and 2017, respectively, in the Company's total comprehensive income and equity for the year. The Company's sensitivity analysis takes into account the historical volatilities of market interest rates.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents (excluding cash on hand), government and corporate bonds, receivables and refundable lease deposits (under prepayments and other assets).

The Company's financial assets are actively monitored to avoid significant concentrations of credit risk.

The following table provides information regarding credit risk exposure of the Company as at December 31:

	2018	2017
Cash in banks and cash equivalents	**₱15,238,452**	₱45,637,550
Investment securities:		
Government securities	**9,155,679**	2,458,730
Corporate bonds	**3,919,516**	3,487,917
Trust funds:		
Cash and cash equivalents	**49,621,780**	82,619,232
Receivables	**23,846,149**	13,438,217
Investment securities:		
Government securities	**576,925,363**	472,794,240
Corporate bonds	**118,478,535**	108,068,190
HTM corporate bonds	**–**	4,870,000
Receivables	**52,139,967**	77,570,737
Refundable lease deposits	**1,800,353**	4,624,199
	₱851,125,794	₱815,569,012

All of the foregoing financial assets are classified as neither past due nor impaired except for impaired advances to employees (included under receivables) amounting to ₱823,294 as at December 31, 2018.

While cash in banks are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the cash in banks are with a reputable counterparty that possessed a good credit rating.

Government securities and corporate bonds, including the related accrued interest and dividends receivable, are assumed to have low credit risk because these are exposures to the Philippine

National Government and private corporations with "investment grade" credit ratings.

For receivables from related parties, the Company's main counterparty is CHSI, its immediate and ultimate parent company, who has the ability to pay based on available assets and has no history of defaults. For advances to employees, the Company considered the employment status of the employee. These are not considered to be impaired since continuous collections are made through monthly salary deductions, except for advances made to resigned employees.

Liquidity Risk
Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. Through the Company's trustee banks, the Company is able to manage its trust funds' liquidity by close monitoring of the trust funds' cash flows and ensuring that the operation maintains optimum levels of liquidity which is at all times sufficient to meet contractual obligations as and when they fall due.

It is also the Company's policy to maintain adequate liquidity to meet its cash flow requirements. Accordingly, each portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities is consistent with the cash requirements in order to avoid the forced sale of securities prior to maturity.

The tables below summarize the maturity profile of the financial liabilities of the Company as at December 31.

	2018			
	Up to One Year*	**Over One up to Three Years**	**Over Three Years**	**Total**
Accounts payable and accrued expenses	**₱11,285,667**	**₱–**	**₱–**	**₱11,285,667**
Trust fund liabilities	**2,487,715**	**–**	**–**	**2,487,715**
Other liabilities	**14,200,572**	**–**	**–**	**14,200,572**
	₱27,973,954	**₱–**	**₱–**	**₱27,973,954**

***Up to one year or all commitments which are either due within the timeframe or are payable on demand.**

	2017			
	Up to One Year*	Over One up to Three Years	Over Three Years	Total
Accounts payable and accrued expenses	₱9,656,450	₱–	₱–	₱9,656,450
Trust fund liabilities	2,333,880	–	–	2,333,880
Other liabilities	13,397,633	–	–	13,397,633
	₱25,387,963	₱–	₱–	₱25,387,963

***Up to one year or all commitments which are either due within the timeframe or are payable on demand.**

Trust fund liabilities are offset against trust fund assets to arrive at the net asset value of trust funds (Note 5).

Other liabilities only include agents' bond reserve and agents' provident fund contribution.

The Company's pre-need policies started to mature in 2017. In compliance with the requirements of the IC, the Company has set up a trust fund to meet its maturing benefits payable, which includes a liquidity reserve fund (Note 5).

The maturity analyses of financial assets are individually disclosed in their respective notes to the financial statements.

Fair Value of Financial Assets and Liabilities

The table below summarizes the Company's financial assets presented at fair value in the statement of financial position:

	2018	2017
Investment securities:		
Listed equity securities (including Insurance premium fund)	**₱39,659,950**	₱41,930,367
Government securities	**9,155,679**	2,458,730
Corporate bonds	**3,919,516**	3,487,917
Trust funds:		
Government securities	**576,925,363**	472,794,240
Listed equity securities	**312,643,482**	267,352,777
Corporate bonds	**118,478,535**	108,068,190
	₱1,060,782,525	₱896,092,221

The investments in listed equity securities and corporate bonds are classified under Level 1 category and investments in government securities and commercial papers are classified under Level 2 category.

In 2018 and 2017, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

The carrying amounts of other financial assets and liabilities generally approximate their fair values as the effect of discounting is immaterial.

Classification of Assets and Liabilities

The Company's current and noncurrent classification of assets and liabilities are as follows:

		2018	
	Current	**Noncurrent**	**Total**
Assets			
Cash and cash equivalents	**₱15,466,552**	**₱–**	**₱15,466,552**
Investment in trust funds	**70,980,214**	**1,008,047,380**	**1,079,027,594**
Insurance premium fund	**–**	**12,006,265**	**12,006,265**
Investment securities	**–**	**40,728,880**	**40,728,880**
Receivables	**51,316,673**	**–**	**51,316,673**
Property and equipment	**–**	**19,685,215**	**19,685,215**
Prepayments and other assets	**3,870,733**	**1,800,353**	**5,671,086**
Deferred income tax assets	**–**	**1,332,963**	**1,332,963**
Total assets	**₱141,634,172**	**₱1,083,601,056**	**₱1,225,235,228**

	2018		
	Current	**Noncurrent**	**Total**
Liabilities			
Accounts payable and accrued expenses	**₱11,285,667**	**₱–**	**₱11,285,667**
Plan benefits payable	**42,588,220**	**–**	**42,588,220**
Pre-need reserves	**96,946,337**	**916,406,274**	**1,013,352,611**
Insurance premium reserves	**–**	**9,921,718**	**9,921,718**
Other reserves	**–**	**6,804,357**	**6,804,357**
Other liabilities	**17,935,903**	**16,915,684**	**34,851,587**
Total liabilities	**₱168,756,127**	**₱950,048,033**	**₱1,118,804,160**

	2017		
	Current	Noncurrent	Total
Assets			
Cash and cash equivalents	₱45,858,150	₱–	₱45,858,150
Investment in trust funds	93,723,569	853,085,207	946,808,776
Insurance premium fund	–	12,006,265	12,006,265
Investment securities	–	35,870,749	35,870,749
Receivables	77,570,737	–	77,570,737
Property and equipment	–	21,227,958	21,227,958
Prepayments and other assets	7,104,803	2,244,880	9,349,683
Deferred income tax assets	–	886,098	886,098
Total assets	₱224,257,259	₱925,321,157	₱1,149,578,416
Liabilities			
Accounts payable and accrued expenses	₱9,656,450	₱–	₱9,656,450
Plan benefits payable	2,350,000	–	2,350,000
Pre-need reserves	77,865,314	869,572,020	947,437,334
Insurance premium reserves	–	10,962,014	10,962,014
Other reserves	–	6,547,442	6,547,442
Other liabilities	20,666,793	16,143,378	36,810,171
Total liabilities	₱110,538,557	₱903,224,854	₱1,013,763,411

Capital Management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern to support its business, maximize shareholder value and meet regulatory capitalization requirements.

The BOD has the overall responsibility for monitoring the Company's capital structure and making the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

The components of capital as at December 31 follow:

	2018	2017
Capital stock	**₱150,000,000**	₱150,000,000
Contingency surplus	**67,300,000**	67,300,000
Other comprehensive income (loss)	**6,969,782**	(10,211,679)
Deficit	**(117,838,714)**	(71,273,316)
	₱106,431,068	₱135,815,005

In accordance with Section 9 of the Pre-Need Code, existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:

(a) ₱100,000,000 for companies selling at least three types of plan;
(b) ₱75,000,000 for companies selling two types of plan; and
(c) ₱50,000,000 for companies selling a single type of plan.

Unimpaired paid-up capital pertains to total paid-up capital less any deficit in the retained earnings account.

As at December 31, 2018 and 2017, the Company has complied with the capital requirements of the IC. Paid-up capital amounted to ₱99.5 million and ₱146.0 million as at December 31, 2018 and 2017, respectively.

24. Supplementary Information Required under Revenue Regulations No. 15-2010

The Company reported and/or paid the following types of taxes in 2018:

Output VAT

Output VAT declared for the year ended December 31, 2018 and the revenue subject to output VAT consist of:

	Amount	
	Gross Revenue	Output VAT
Subject to 12% VAT		
Premiums (net of trust fund contribution) and other revenue	₱66,631,945	₱7,995,833

Outstanding output VAT as at December 31, 2018 amounted to ₱440,280.

Premium income is based on actual collections, net of contributions for tax purposes, while revenues presented in the statement of total comprehensive income are gross of trust fund contribution and based on the policies discussed in Note 5.

Input VAT

The movements in the input VAT paid for by the Company for the year ended December 31, 2018 are shown below:

Balance at beginning of year	₱47,937
Current year's domestic purchases/payments	6,007,859
Input VAT applied against output VAT	(6,055,796)
Balance at end of year	₱–

Other Local and National Taxes

The Company's local and national taxes for the year ended December 31, 2018 consists of:

Municipal taxes	₱739,355
Real property tax	154,888
Community tax	14,718
Others	1,008,901
	₱1,917,862

The above local and national taxes are classified as "Taxes and licenses" under "General and administrative expenses" account in the statements of comprehensive income.

Withholding Taxes

Withholding taxes paid and accrued and/or withheld by the Company for the year ended December 31, 2018 consists of:

	Paid	Accrued	Total
Expanded withholding tax	₱1,040,758	₱74,560	₱1,115,318
Withholding tax on compensation	3,248,291	451,709	3,700,000
	₱4,289,049	₱526,269	₱4,815,318

Tax Assessment and Tax Cases

There are no outstanding tax assessments and cases under investigation, litigation and/or for prosecution in courts or bodies outside of the Bureau of Internal Revenue as at December 31, 2018.